Value

create value together Sustainability Report 2011

KRONES

External assurance of the sustainability report

Scope and standards:
TÜV SÜD Management Service GmbH has been engaged to provide external assurance on this Sustainability Report.

The assurance process was conducted in accordance with the following guidelines and standards:

- The Global Reporting Initiative's (GRI) G3 Guidelines for the selection and level of detail of the content and data of the Sustainability Report and the underlying systems
- AA 1000 standards for the general principles and methods of evaluation and review
- DIN EN ISO 19011 – guidelines for auditing, ISO 14001 – specification for environmental management systems, BS OHSAS 18001 – specification for occupational health and safety management systems

In addition, wherever aspects relating to management systems are involved, the auditing methods used are in accordance with ISO 17021.

Audit process and depth:
For our audit of the report, we reviewed documents and conducted interviews with persons in key positions and at various levels of the company, including management, middle management, employees, and employee representatives. The following sites were included in the audit:

List of sites and their addresses:
- KRONES AG, Böhmerwaldstrasse 5, 93073 Neutraubling, Germany
- KRONES AG, Nittenau plant, Heideweg 34–36, 93149 Nittenau, Germany
- KRONES AG, Steinecker plant, Raiffeisenstrasse 30, 85356 Freising, Germany
- KRONES AG, Rosenheim plant, Äussere Münchener Strasse 104, 83026 Rosenheim, Germany
- KRONES AG, Flensburg plant, Schäferweg 9, 24941 Flensburg, Germany

We audited the identification of relevant stakeholder groups, the method used to collect and consolidate data for this report, the existing management systems, and the internal control and monitoring functions.

Economic and financial data were not audited. Instead, they were assessed with respect to the information contained in the audited 2011 Annual Report.

Validation

Validation of the Sustainability Report: This report provides a comprehensive, accurate, and proper presentation of performance on the basis of reliable, reasonably documented information.

Availability of this report to the general public is guaranteed.

TÜV SÜD Management Service GmbH
Munich, 12 May 2012

Wolfgang Brandl
Corporate social responsibility auditor

Dipl.-Ing. Ulrich Wegner
Head of the certification body

Responsibilities:
KRONES AG is solely responsible for the content of this report and for selection of the topics. TÜV SÜD Management Service GmbH's responsibility was to review the correctness and credibility of the information and to confirm whether the requirements have been met.

TÜV SÜD
Management Service

Contents

About the KRONES Sustainability Report

This Sustainability Report is based on the GRI Sustainability Reporting Guidelines.

It covers all of the company's business units inside and outside Germany with the exception that the »machines and lines for the low output range (KOSME)« segment is not included in the »Environmental« and »Labour practices/ Society« sections due to its low relevance (3.7% of consolidated sales) and for reasons relating to data collection.

This report covers the period from 1 January 2011 to 31 December 2011. The Sustainability Report is published annually.

KRONES COMPACT

Foreword by the Executive Board 2
The Executive Board 4
Report from the CSR committee 7
KRONES at a glance 12
KRONES has whole-plant expertise 14
The KRONES Group 26
Our attitudes and actions 29

ECONOMIC

Economic responsibility 40
Production 44
Products 48

ENVIRONMENTAL

Systematically evolving our environmental protection activities 56

LABOUR PRACTICES

Promoting qualifications and involvement 68
Responsibility for safety, health, and social affairs 79

SOCIETY

Open dialogue with all stakeholders 87
Involvement in charitable causes and culture 89

Goals and actions 94
GRI INDEX 98
Glossary 100

Dear Readers,

Last year made it clear just how dramatically sentiment and thus the economy will fluctuate in the future. Opinions on economic development going forward varied widely, torn between still positive sentiment in the emerging markets and the sovereign debt crisis in Europe. This volatility has been a major challenge for companies.

Already in the beginning of 2011, KRONES began preparing itself for such uncertainties and stronger demand fluctuations with its »Value« strategy programme. With »Value«, we aim to create sustainable added value – for our customers, employees, suppliers, shareholders, society as a whole, and of course, for KRONES. As you will see in this report, we achieved this goal once again in 2011. Many interesting examples illustrate how KRONES is pursuing a sustainable corporate strategy independent of short-term fluctuations.

To attain the medium-term growth targets under the »Value« programme, we have hired over 800 new employees bringing our staff total to 11,389 persons in the year under review. We have also permanently hired all of our highly qualified trainees as well as many of our temporary staff to keep their know-how in the company.

KRONES increased its workforce considerably in 2011, laying the foundation for meeting our medium-term growth targets within our »Value« strategy.

Our enviro sustainability programme is another part of our long-term strategy. A growing number of our machines are being quality certified by TÜV SÜD and more and more of our customers can enjoy the enviro machines' economical use of valuable resources in their daily operations.

As the market leader in machinery for filling beverages into PET bottles, we have always been keen on recycling this valuable plastic material. Our PET recycling systems that process used PET bottles into food-grade recycled flakes save valuable resources. The economic and ecological benefits are so clear that the European Commission decided last summer to support our process.

We also want to further optimise and improve resource use in our own production. A big step in this direction was introducing our new energy management system, which was audited by TÜV SÜD for the first time in 2012.

Yet, technological solutions are not all there is to KRONES' sense of responsibility towards future generations. KRONES maintains constant dialogue with all relevant stakeholder groups to understand their wishes and incorporate them as best possible.

KRONES made great progress in sustainability in 2011. However, we will not rest on our laurels and have instead set ourselves even more ambitious goals for 2012 (see pages 94 to 97) – and we aim to achieve them.

Volker Kronseder
Chairman of the Executive Board
Human Resources and Corporate Communications

Christoph Klenk
Member of the Executive Board
Finance and Information Management (since 1 January 2012)
Technology, Research and Development (until 31 December 2011)

For a technology leader, new products and innovations are essential for long-term success. We again made great progress in this regard in 2011. The machines and lines from our enviro sustainability programme are gaining increasing acceptance on the market and saving our customers valuable resources in daily use. Another big success in the year under review was the European Commission's decision to support our PET recycling systems. To better bundle our employees' knowledge and expertise and bring it to bear in innovations, we have created »Idea Space«, an excellent platform for sharing suggestions for improvement and inventions.

Christoph Klenk

Rainulf Diepold
Member of the Executive Board
Sales and Marketing

Customer satisfaction is the measure of our work. That is why our sales team strives not only to acquire new business but also to cultivate and improve relations with our existing customers. My team has always kept an open ear for our customers' wishes and requirements. Our popular enviro-certified machines and lines are an excellent example as they help our customers to save valuable resources and thus money. But also the annual certification of our sustainability report by TÜV SÜD is a big advantage for our customers, providing them with documented proof that KRONES is a strong and dependable partner. This also helps our customers to secure their own CSR measures across their entire supply chains for the long term.

Rainulf Diepold

Werner Frischholz
Member of the Executive Board
Operations and Service

With the recent certification of our energy management system, we added an important component to our integrated management system (IMS). That has brought us a big step closer to our goal of sustainably conserving resources in our own production. By further expanding our Lifecycle Service (LCS) Centres and the related services, we have boosted customer loyalty and helped to reinforce our long-term commercial success. Conserving resources and being close to our customers are key elements of our »Value« programme.

Werner Frischholz

Thomas Ricker
Member of the Executive Board
Technology, Research and
Development (since 1 January 2012)

When deciding which R&D projects to pursue, our unwavering focus is on the added value we can generate for our customers with new and better products. Our primary aim is to reduce energy and media consumption and increase line uptime – by shortening make-ready times, automating troubleshooting, and simplifying cleaning and maintenance.

All new developments at KRONES must meet the standards of our enviro sustainability programme, which is an essential part of our corporate strategy. With enviro, KRONES is establishing demonstrable transparency for customers with regard to consumption of energy, water, and compressed air. Our system is unique in that the consumption data are collected using a standardised process that has been certified by TÜV SÜD. With enviro, KRONES has cast the sustainability principle in iron and steel.

Thomas Ricker

KRONES bids a fond farewell to Hans-Jürgen Thaus

Hans-Jürgen Thaus
Deputy Chairman of the
Executive Board
Finance and Information
Management
(until 31 December 2011)

Hans-Jürgen Thaus served as Chief Financial Officer and Deputy Chairman of the Executive Board of KRONES AG for 15 years. Mr. Thaus, together with his fellow Executive Board members, made important contributions to the company's success. Having reached the prescribed age limit, Mr. Thaus stepped down from the board effective 31 December 2011.

Hans-Jürgen Thaus managed various departments during his tenure. Known as the »Master of Numbers«, he was responsible for the company's interim and annual financial statements. He also networked with analysts and investors and made sure that KRONES as a listed company always met the high standards of the international capital markets. A graduate in commercial informatics, Mr. Thaus always took a deep interest in the IT department.

On behalf of the entire KRONES staff, the Executive Board would like to thank Hans-Jürgen Thaus for his excellent work over the past 15 years and wishes him all the best for the future.

Ladies and Gentlemen,

As the central body for implementing our sustainability strategy, the committee deemed it very important again in 2011 that KRONES defends and expands its position as sustainability leader in the machinery and plant construction sector. To this end, we not only monitor the measures currently in place but also try to develop new ideas for improvements in continuous dialogue with various stakeholders.

The CSR committee's objective for 2011 was to further all aspects of sustainability within the KRONES Group.

The CSR committee held four meetings in Neutraubling in the year under review. In these sessions, CSR committee members or the respective KRONES project heads presented, discussed, and resolved upon various CSR-related issues and topics.

The main issue at the first meeting in March 2011 was our CSR strategy up to 2015. In this respect, we determined our objectives in terms of economy, ecology, labour practices, and society and resolved initial measures. We also analysed, updated, and amended the contents of our 2010 CSR report, which was published shortly thereafter.

At our second meeting in June 2011, Volker Kronseder presented the goals and actions under our »Value« strategy programme. Our objectives are in line with our brand claim »We do more« – generating »more value« for our staff, customers, and shareholders. With our »Value« programme, KRONES wants to counter the increasing volatility in business and thus in demand for our products. In this endeavour, we must respect KRONES' core values: »securing value for a strong future«, »creating value with powerful solutions«, and »respecting values in effective dialogue«.

In the meeting, the CSR committee was also informed about on the status of our enviro sustainability programme. Our customers are increasingly seeking the transparency of consumption values and sustainable development that our product portfolio offers. This secures KRONES' role as a leader in the industry. The EvoLite strapping machine, launched at the interpack trade fair, has been a huge success. EvoLite met the enviro standards easily and is yet another example of how enviro delivers impressive innovation in new products.

To advance our CSR strategy further and resolve TÜV SÜD's main criticism, we decided to make collecting key environmental data a top priority for KRONES and that introducing an energy management system was of critical importance.

Already in our third meeting, in September 2011, the project lead presented in detail the advantages for KRONES of having an energy management system certified under DIN ISO 50001 along with an exact timetable. In addition, CSR Officer Kristina Ebenbeck informed the committee that KRONES had met all requirements and joined the VDMA's (German Engineering Federation) sustainability initiative BLUECOMPETENCE in the third quarter of 2011. The initiative is designed to promote sustainable development work and prepare durable standards for sustainable products and production in the machinery sector.

The main agenda item at our final meeting last November was an extensive report by CSR team leader for labour practices and society issues, Wolfgang Bernkopf, on his primary activities in KRONES' counselling service. He stressed the importance of in-company integration management to best facilitate employee reintegration into the workplace after long-term illness so that no valuable know-how is lost. In addition to presenting the entire range of counselling services at KRONES, Mr. Bernkopf also reported that the incidence of mental illness has been rising dramatically for years. There are many and complex reasons for this. Burnout syndrome is also affecting KRONES. Here too, there are always several factors involved, both at home and on the job.

Social counselling is at the heart of KRONES. That is why the CSR committee invited KRONES' head social counsellor, Wolfgang Bernkopf, to report extensively on the tasks and challenges of his department.

Burnout is generally a long-term illness. According to Mr. Bernkopf, burnout syndrome is pushing the medical and therapeutic services to the limits of their capacities, often resulting in long wait times before therapy can start.

As a first step to help our employees, KRONES has launched a pilot project with a free external hotline for stress and burnout problems.

At the end of the CSR committee meeting on 21 November 2011, committee members defined their main tasks as follows: Prof. Dr. Erich Kohnhäuser, science and research; Prof. Dr. Thomas Schwartz, global issues and corporate ethics; Philipp Graf von und zu Lerchenfeld, politics and society; Claudia Islinger, labour practices and social issues; Roland Pokorny, dialogue and stakeholders.

Neutraubling, April 2012
The CSR committee

Volker Kronseder

Kristina Ebenbeck

Claudia Islinger

Prof. Dr. Erich Kohnhäuser

Philipp Graf von und zu Lerchenfeld

Roland Pokorny

Prof. Dr. Thomas Schwartz

Volker Kronseder

Kristina Ebenbeck

Claudia Islinger

Prof. Dr. Erich Kohnhäuser

Philipp Graf von und zu Lerchenfeld

Roland Pokorny

Prof. Dr. Thomas Schwartz

Peter Mörtl

Interview with Roland Pokorny, new member of the CSR committee

Roland Pokorny, Roland Pokorny, Vice President Corporate Communications at KRONES, talks about his duties and objectives as the newest member of the CSR committee.

Mr. Pokorny, your CSR committee responsibility is »dialogue and stakeholders«. What exactly does that involve?

My job is to cultivate communication with all interest groups (stakeholders) worldwide. These include employees, shareholders, customers, suppliers, government agencies, politicians, trade associations, non-governmental organisations (NGOs), scientists and academics, and the general public. We want to maintain an active and open information policy for them.

What do you want to communicate to stakeholders?

First, we have to make clear to them what exactly KRONES stands for. We have recently developed a mission statement that defines our self-image and the company's basic principles.

In our »Value« strategy programme, KRONES has developed a master plan for tackling future challenges. The strategy needs to be well communicated both internally and externally.

And what are those?

At the heart of KRONES are our core values: **»securing value for a strong future«, »creating value with powerful solutions«**, and **»respecting values in effective dialogue«**. That is what KRONES stands for.

What does that mean in concrete terms?

Our »Value« strategy programme translates KRONES' mission statement and values into individual statements and concrete actions. It gives us direction for our future. Every measure is aligned with one of the core values (see strategy page 32).

Does that mean you will focus your communication on the »Value« strategy programme?

That will certainly be my main task at first. With »Value«, KRONES is working to establish a master plan for tackling all future challenges. The individual strategies that the different divisions have developed so far, including the CSR strategy, are being bundled and prioritised within the »Value« framework. »Value« needs to be well communicated both internally and externally. In 2012, I will mostly focus on internal communication.

How do you intend to communicate »Value« to the workforce?

The leadership at all of our sites will discuss »Value« and our mission statement with their staff. This will make employees aware that every individual can and should contribute to bringing our mission statement and strategy to life. Moreover, we plan to communicate »Value« to our employees through our intranet, our employee magazine, image clips, and posters.

More and more rating agencies rate companies and their sustainability strategies. This shows that analysts, investors, and other stakeholders are taking a keener interest in sustainability.

Olaf Scholz
Senior Vice President of Investor Relations and International Group Accounting

KRONES is constantly striving for long-term and sustainable success in an increasingly volatile environment. This sustainable effort for the benefit of all stakeholders rather than for maximising short-term profits is a hallmark of KRONES and I am proud of that.

Norbert Broger
Controlling

The various fringe benefits KRONES offers tell me that the company wants to create »added value« not only for customers and suppliers but also for employees.

Tanja Janker
Material Management

I am happy that KRONES is at the leading edge in terms of social media use. That shows me that KRONES is not afraid of future technologies but knows how to spot a trend and put it to work. That, too, is part of doing business successfully.

Bernadette Müller
Information Management

KRONES at a glance

Plant planning

- Planning and construction of complete filling and packaging plants
- Total cost of ownership calculations

Beverage production technology

- Brewhouse and cellar systems
- Syrup kitchens
- Raw materials receiving systems

Systems for filling and packaging

- Product treatment
- Cleaning technology
- Plastics technology
- Inspection technology
- Filling technology
- Conveyor technology
- Labelling technology
- Packing and palletising technology

KRONES plans, develops, manufactures, and installs machinery and complete systems for filling and packaging and for beverage production. KRONES' customers include breweries, beverage producers, and companies from the food, chemical, pharmaceutical, and cosmetic industries.

KRONES offers all of the products and services they need from a single source – from constructing new beverage plants to getting the finished product out the door. Our worldwide service network is a key component of our unique portfolio.

Innovation, rapid, flexible development of products and services, and continuous improvement of our internal process flows are the cornerstones of our success.

IT solutions

- For plant planning and beverage production
- For internal logistics
- For product filling and packaging
- For Lifecycle Service

Internal logistics

- Warehousing systems
- Order-picking systems
- Conveyor systems

Lifecycle Service

- Producing
- Maintaining
- Optimising
- Training at the KRONES Academy

KRONES has whole-plant expertise

Station 5
Packing and palletising

Packaging options are almost limitless. So, packaging systems have to be extremely versatile. The various models of KRONES' fully automated Variopac Pro packer cover all the bases.

Station 4
Conveyors

On KRONES lines, containers are moved quickly and reliably from one stage of production to the next. Our conveyors are equipped with state-of-the-art control technology.

Station 3
Labeller

KRONES offers a broad range of labelling machines. The KRONES Contiroll has been setting the standards for reel-fed wrap-around labelling for many years now. Each labelling station on the machine's high-speed variant, the Contiroll HS, labels up to 66,000 containers per hour.

Station 2
Filler

A variety of filling processes are available to suit different beverages and different types and shapes of containers. The Volumetic VODM series of fillers offers the ideal solution for conductive products. In this system, the correct fill quantity is precisely determined by means of an inductive flow meter.

Station 1
Stretch blow-moulder

On this machine, PET preforms are blow-moulded into bottles. The new generation, the Contiform 3, is capable of producing up to 63,000 PET containers per hour.

A KRONES filling line is composed of innovative individual machines and systems that produce, fill, label, and pack bottles. Custom IT solutions from KRONES control and document all processes within the line.

Interview with Susanne Huber, KRONES project manager for »SuperPET«

Why is the EU Commission supporting KRONES' PET recycling process?

The European Commission's eco innovation programme supports projects that aim to conserve resources and reduce harmful emissions. The commission selected KRONES' PET recycling process from a pool of 287 entries and dubbed the project »SuperPET« (in all, 42 projects were selected for funding). The commission believes that Europe's recycling and waste management sectors can contribute greatly to meeting climate protection goals.

The decisive factor for selecting the KRONES recycling process (details on pages 18–23) was that it offers significant advantages over competing processes:

- Lower CO_2 emissions in the recycling process and transport
- Lower energy consumption thanks to fewer and more efficient process steps

Moreover, our process creates high-purity flakes that can be immediately used to make new bottles (bottle-to-bottle process). Conventional approaches require additional process steps to make food-grade recycled PET. Our process even has FDA approval.

What currently happens to discarded PET bottles?

A large part of the PET bottles used in Europe today are not being recycled into new packaging. Instead, the valuable raw material PET either ends up in waste incinerators or landfills or is recycled into granulates for general industrial use outside the food industry, particularly in the textile sector.

Why is it so important to have a bottle-to-bottle process rather than general recycling?

Like glass bottles, PET bottles are not traditional waste. Waste PET can be processed for new bottle production. That means a discarded PET bottle can be turned into a new PET bottle while simultaneously saving energy and resources and reducing waste.

Why are only a small fraction of used PET bottles recycled into new ones?

Consumers are willing to do their part for PET recycling. However, to close the bottle-to-bottle loop, retailers and fillers have to do their part.

What share of recycled material can be used in making a new PET bottle?

Our objective is to optimise our process until new PET bottles can be made from up to 100% recycled PET flakes.

How do you intend to establish KRONES' bottle-to-bottle recycling in the market?

We have to convince the market of the ecological advantages of closed-loop PET recycling through lobbying and public relations work. Our target audience consists of bottlers, recyclers, and converters as well as preform manufacturers, universities, and special interest groups. In addition, we are mailing a monthly newsletter on KRONES' PET recycling to these target groups and are regularly reporting on the subject in our customer magazine. We have also set up a dedicated web page for this project (www.superpet.krones.com).

Are you seeing any results yet?

Yes. We recently sold a KRONES PET recycling plant to a German customer for the first time and our customers in Bangladesh and Japan have been successfully using KRONES PET recycling systems for several years.

eco-innovation
WHEN BUSINESS MEETS THE ENVIRONMENT

KRONES PET-Recycling
PET-Recycling

Securing value for a strong future

PET recycling – an ecological investment that pays off quickly

The food company Stute Nahrungsmittelwerke of Paderborn is rigorously pursuing its eco-friendly strategy. The company already covers more than 30 percent of its energy needs with three wind turbines, a biogas plant, and an array of solar panels. Now, the beverage maker will also be the first in Germany with the capability to recycle all of its PET waste when its new KRONES PET recycling plant goes live in August 2012. The SuperClean PET recycling process turns out high-purity flakes that can be used directly to make new bottles while conventional systems need further process steps to make food-grade recycled PET.

Stute plans to use the KRONES process to recycle both PET bottles and preform rejects for bottle manufacturing. Some of the bottles to be recycled will have been in contact with food before. The recycling process cleans and decontaminates the discarded PET, making it safe for use in food containers.

From the recycling plant directly into the injection mould

The SuperClean system first grinds the PET material for recycling and then conveys the granules to the holding tank of the cleaning module. The PET recycling plant consists of two main components – a cleaning module and a decontamination module – plus peripheral systems.

The plant has two levels, with the cleaning and the decontamination module spatially separated. The decontamination module will be installed adjacent to the injection moulds for perform production.

A clear vote for the environment

Going with KRONES was an easy decision for Stute. KRONES is the only one-stop supplier that can deliver a complete system from container drop-off to finished, decontaminated flakes, thus eliminating any interface problems.

The installation is a strategic investment for Stute. Rather than following the industry practice of feeding the recycled material into the insatiable Chinese market, Stute wanted to establish a sustainable, closed loop for PET within its own factory. The whole sector is still warily anticipating politically-motivated additional refund charges on one-way PET containers. It may well be that this extra charge can only be offset by including a relatively high share of recycled input materials as demonstrated by the example of the PETCycle system.

Stute trusts in KRONES technology

There is another reason why KRONES was Stute's first choice. Responding to market forces, Stute is increasingly shifting away from carton packaging and toward PET containers. The company now operates 13 PET filling systems at its Paderborn facility. Since 2009, Stute has been consistently choosing KRONES for its new technology investments. It all started with a KRONES PET Asept system, which was followed by two plants with Contipure preform decontamination. The new preform decontamination system allowed Stute to greatly reduce its energy and media consumption compared to treating the finished containers. In mid-2012, Stute's fourth KRONES line will go live with another PET Asept system. Further replacement investments for old systems are being planned. As such, Stute's cooperation with KRONES in PET recycling may also be considered a long-term strategic decision.

Securing value for a strong future

PET has ecological and economic advantages over other kinds of packaging

Interview with Clemens Berger, head of research and development, on the ecological and economic position of PET and its growth prospects.

What are the advantages of PET over other types of packaging?

The biggest advantages are its low weight, flexibility in packaging design, and the high recyclability of PET. Amongst many other factors, these are the foremost reasons why PET is growing faster than the packaging materials market as a whole.

The beverage carton industry is lobbying hard for its product. Why is there not a similar image campaign for PET? Is KRONES making efforts in that direction?

KRONES doesn't sell or produce beverage packaging. Our goal is to offer the best machines for producing and packaging beverages. Therefore, our interest lies in marketing our lines, not on developing image campaigns for specific packaging materials.

However, we would like to point out that only about one-third of the material from beverage cartons sold in Germany is being recycled (*Source: Deutsche Umwelthilfe e. V. 2012*).

What is your view on the competition from polyethylene (HDPE)?

HDPE and PET are not really in competition with each other. PET packing is used about seven times as much as HDPE and trending up. Because of its better economy, some of our customers are interested in switching from extrusion blown HDPE to stretch blown PET. HDPE preforms that have hit the market in recent months may become an alternative. We have been working with the manufacturers to optimise their preforms for processing on our stretch blow moulding machines.

KRONES is generally not dogmatic in terms of packaging materials. We are a systems supplier of filling and packaging machinery, not a manufacturer or distributor of PET bottles or beverages bottled in PET. We give our customers the best technology to fill their products into the packaging of their choice.

What pre-packaged products still have great growth potential?

The fastest growing products are tea/coffee, milk-based beverages, water, and fruit juice – in that order. Since water has been the most bottled beverage for many years, its growth rates are lower than those for tea and coffee. But these rates figure from a substantially higher base. As such, water still has the strongest growth going forward.

PET can also be made from renewable resources. Does KRONES already offer machines that can process this »green PET«?

Yes. Plant-based PET is made from renewable resources but its properties are identical to PET made from petroleum. That means there is absolutely no difference in processing, quality, weight, and visual appearance of bottles made from either material. Many of our customers are already filling their products into »bio-PET« bottles made on KRONES systems.

How do you see the market for »green PET« bottles?

Considering the fact that plant-based PET has a smaller carbon footprint and reduces dependence on petroleum, I expect an increasing trend toward green PET. However, it is important that the manufacture of plant-based PET does not compete with food production (»food against packaging«) but instead increasingly uses food processing waste like orange or potato peels as raw materials.

How do you see the market for reusable PET bottles?

Reusable PET bottles are mostly a phenomenon of Germany and Austria, which already have functioning logistical systems in place. We see most potential for new capital investments and growth in one-way PET bottles and recycling.

Misconceptions about PET

There are many misconceptions about PET – here are the FAQs

1. What does KRONES have to say about plastic pollution in the world's oceans?

KRONES considers PET a valuable material that should be recycled and not dumped into the ocean. With our PET recycling system, KRONES is making a stand against marine pollution. As a supplier to the plastics processing industry, KRONES also supports the statement of the international plastics industry association, PlasticsEurope, on the subject of waste management that particularly stresses the need to avoid marine litter and to improve plastic waste recycling options. (See www.plasticseurope.org/plastics-sustainability/ marine-litter.aspx).

2. How much PET is on the world market and how much is being collected for recycling?

- Some 16.8 million metric tonnes of PET packaging were consumed worldwide in 2009.
- Some 12.5 million metric tonnes of this were PET bottles (about 75%).
- 43% of that was collected for recycling in 2009.

3. What happens to the collected PET?

Depending on market prices, the material is sold either raw or cleaned and then reprocessed as:

- 70% textile fibres (mainly in China)
- 11% bottle-to-bottle recycling (trending up)
- 10% plastic wrap and films
- 4.5% plastic strapping
- 4.5% other

- About 70% of KRONES' customers fill beverages into PET bottles.
- KRONES is a systems supplier for bottling and packaging plants.
- KRONES is technology leader in filling and packing into glass, cans, and PET containers.
- KRONES does not manufacture or distribute PET bottles or beverages in PET bottles.

4. What is the lifecycle assessment of one-way PET bottles?

The 2010 PET life cycle assessment study by the Heidelberg-based IFEU Institute stated: »The current life cycle assessment found no clear ecological advantage or disadvantage of 1.5-litre PET one-way bottles for carbonated beverages compared to 0.7-litre glass refund bottles thanks to a series of improvements in PET one-way systems. To come to this improved result, such PET one-way bottles have to be very light, contain a relatively high share of recycled material, and have optimised distribution logistics.«

5. What conclusions does KRONES draw from the results of the IFEU Institute's 2010 PET life cycle assessment?

KRONES sees further potential for optimisation. Improvements in packaging weight, share of recycled material, distribution, preform manufacture, stretch blowing processes, and filling technology would all result in a better life cycle assessment.

6. What softeners are used in PET that may leach into the fill product?

None. When consumers hear the name polyethylene terephthalate they may think of phthalates that are often used as plasticisers and frequently pop up in public debates on plastics. However, phthalates and other softeners are not needed in PET bottle production.

7. Do PET bottles contain bisphenol A?

No. Bisphenol A is a member of a group of compounds that have steroidal (estrogenic) effects. Plastics, even such that may come in contact with food, may contain bisphenol A. That includes baby bottles, plastic cups, disposable cutlery, and even the interior coating of tin cans. However, PET bottles do not contain bisphenol A.

8. Why has antimony been found in beverages that came from PET bottles? Is antimony harmful to humans?

Some time ago, Heidelberg University's Institute for Earth Sciences found antimony in beverages that came from PET bottles and this made the news. Antimony compounds are used as catalysts in PET production. The German Federal Institute for Risk Assessment (Bundesinstitut für Risikobewertung, BfR) has made a health impact assessment of the findings of the Heidelberg study and came to the conclusion that the antimony levels found pose no risk to human health because they are in the hundredths fractions of the migration limit for antimony set by the European Food Safety Authority.

9. Is acetaldehyde in beverages harmful?

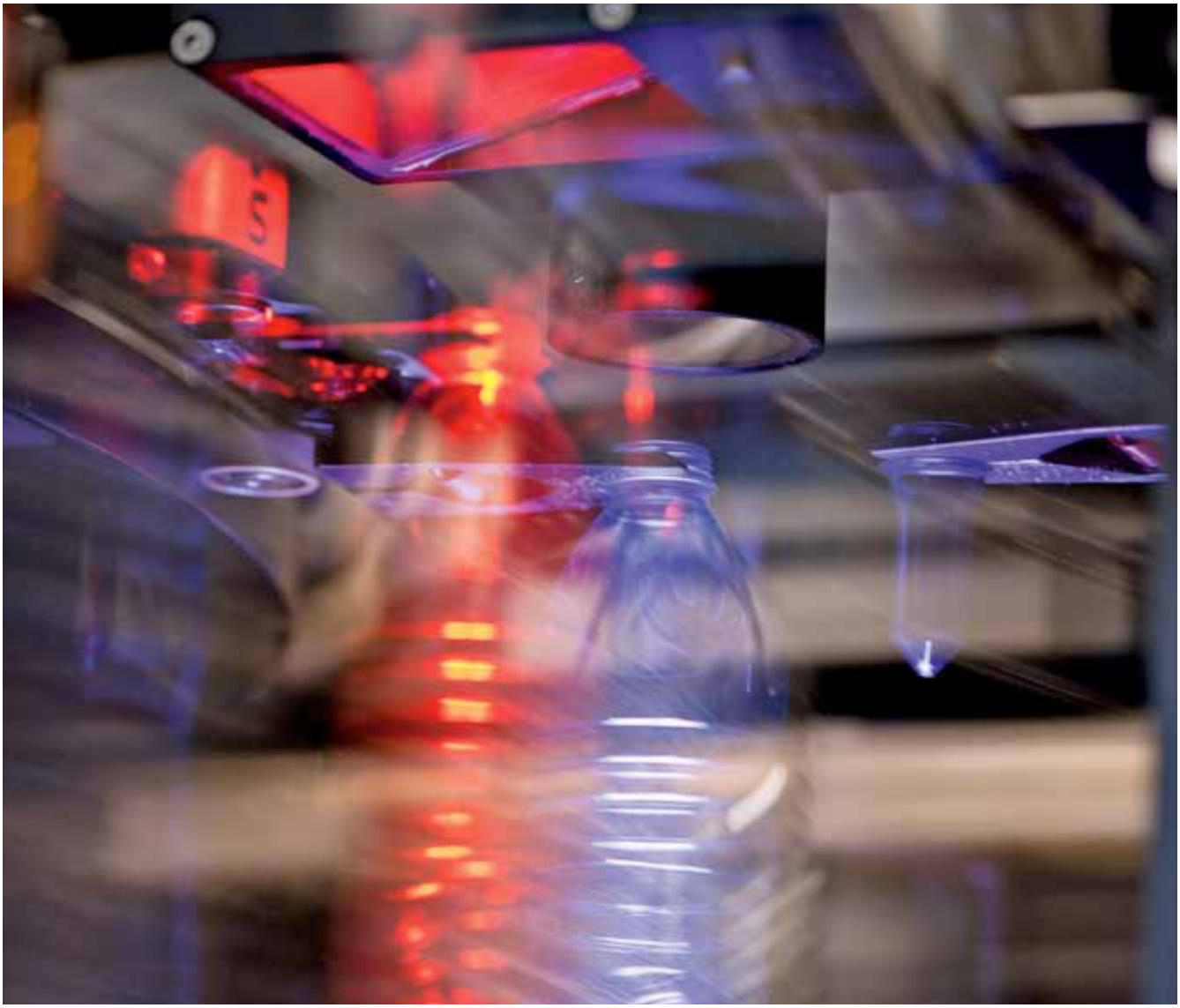
According to EU regulations, the migration limit for acetaldehyde from plastics is six milligrams acetaldehyde per every one kilogram of foodstuff. Harm to human health can be precluded up to this limit. Even if one can taste the acetaldehyde there is no health risk because the taste threshold is still substantially below the health risk limit.

(Sources: PCI, Bizacumen, Petcore, Napcore, and Euromonitor)

KRONES offers the following plastics technology products for the beverage market:

- Stretch blow-moulding machines for producing one-way PET bottles
- Recycling systems for making food-grade recycled PET flakes
- Bottle design (»light-weighting«)

Energy management – the basis for long-term energy efficiency



What does energy management according to the DIN ISO 50001 standard entail?

»The purpose of this international standard is to enable organisations to establish the systems and processes necessary to improve energy-related performance, including energy efficiency, use, and intensity. Implementation of this standard is intended to lead to reductions in energy cost, greenhouse gas emissions, and other related environmental impacts through systematic energy management.« (Excerpt of DIN ISO 50001)

Why is KRONES introducing an energy management system?

Our goal is to continuously improve energy efficiency and energy use at KRONES AG. This will save us energy costs and is good for the environment.

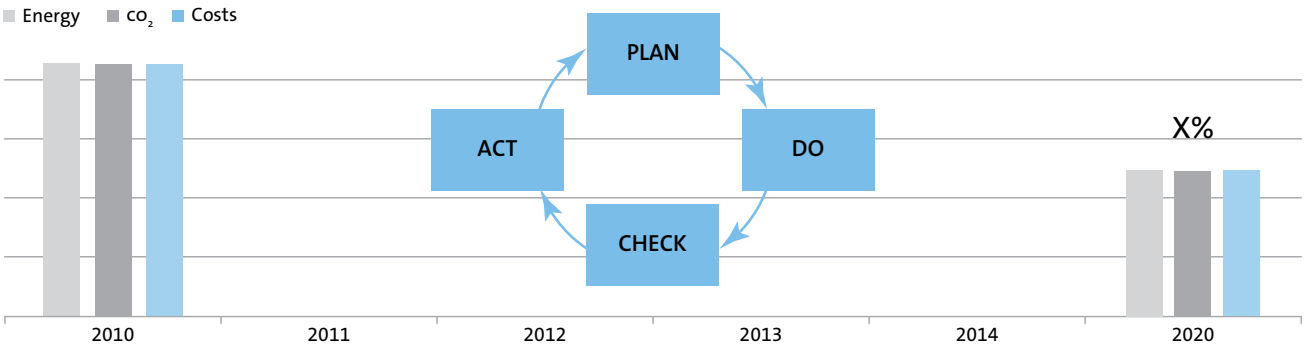
What are the advantages?

- Energy consumption transparency – you have to know your installations' energy usage in order to identify and utilise savings potential
- Increased energy efficiency
- Reduced CO_2 emissions
- Positive effect on market and customers
- Benefit from future tax relief and subsidies

What were the most important steps in launching the new energy management system?

We first improved the organisation and human resources of our energy management department and then built up from there in several steps. To this end, we organised our German sites into

Energy management task: Define targets



Baseline/starting point 2010

- Total energy need: 117,887 MWh
- CO_2 emissions: 36,633 metric tonnes
- Energy costs: €10.4 million

Key criteria for reasonable implementation

- Measures must be improvements without negative impact on operating processes
- Capital employed (capital expenditure/expense) must be economically justifiable

different division zones like manufacturing, assembly, offices, logistics, and so on. The next step was to define measurement point positions and types with which we then created a database that enables us to see the energy flows.

What key data will you be collecting?

We have defined several key performance ratios. In manufacturing and assembly we are looking at energy consumption over working hours or machine hours. We are already measuring and projecting working and machine hours so that we can also forecast future energy use based on these measurements, which is a key requirement of DIN ISO 50001. In the office, administration, and warehouse zones, we calculate energy consumption per square or cubic metre.

How did the certification of your energy management system proceed?

TÜV SÜD conducted a preliminary audit last October to determine the status quo and what steps still needed to be taken to meet the requirements of an ISO 50001 energy management system. We had implemented these steps by the time of the stage 1 audit in January 2012, which also scrutinised the solutions competence of our management system. We passed the final certification audit with project approval in May 2012.

What will be the next steps?

The energy management system is now part of our integrated management system (IMS) and firmly rooted in our CSR strategy. From 2013 forward, it will be regularly audited together with our other management systems (quality, environmental safety, workplace safety, IT, and enviro).

What are your goals for 2020?

We will set our targets for energy, CO_2 emission, and cost reduction through 2020 based on our key data for 2010 and publish these in our 2012 CSR report.

KRONES develops, plans, manufactures, and installs machinery and complete systems for filling and packaging and for beverage production. KRONES' customers include breweries, beverage producers, and companies from the food, chemical, pharmaceutical, and cosmetic industries.

The KRONES Group is organised in three segments:

- **Machines and lines for product filling and decoration**
  This is KRONES' biggest segment, offering machinery and systems for labelling, filling, inspection, bottle washing, and PET bottle production.
- **Machines and lines for beverage production/process technology**
  This segment comprises brewhouse and filtration technology for the brewing industry and the complete production of non-alcoholic beverages, ready-to-drink teas, and mixed drinks containing alcohol.
- **Machines and lines for the low output range (KOSME)**
  KRONES' subsidiary KOSME offers KRONES machines and lines for product filling and decoration for the low output range.

KRONES generated around €2.48 billion in sales revenue and posted net income of approximately €44 million in 2011. The company generated 90% of its sales outside Germany in 2011.

At 31 December 2011, the KRONES Group employed 11,389 people. Production takes place in Germany, at plants in Neutraubling, Nittenau, Flensburg, Freising, and Rosenheim. In addition, KRONES has a network of 37 companies outside Germany that offer a variety of products and services for the entire life of a line. KOSME manufactures its products in Italy and Austria.

KRONES grew its workforce by 814 to 11,389 employees in 2011.

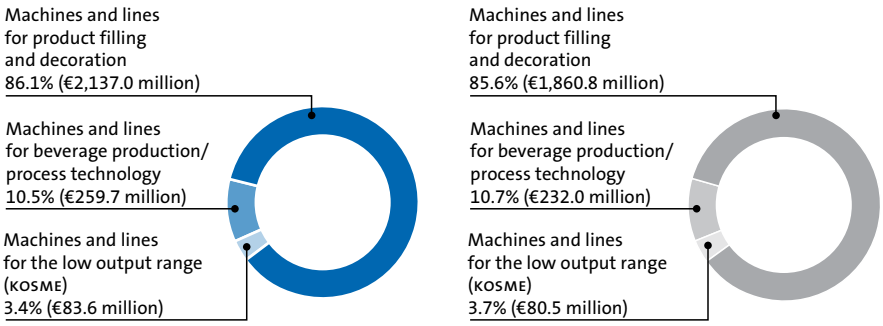
Key figures for the KRONES Group

		2011	2010
Sales			
Sales revenue	€ million	2,480	2,173
Export share	%	90	89
Earnings			
Earnings before taxes	€ million	75	71
Net income	€ million	44	51
Earnings per share	€	1.45	1.68
Employees (at 31 December)		11,389	10,575
In Germany		8,887	8,280
Outside Germany		2,502	2,295
Dividend per share	€	0.60*	0.40

* As per proposal for the appropriation of retained earnings

Export shares:
2011: 90%
2010: 89%
2009: 90%
2008: 87%
2007: 84%
2006: 85%
2005: 87%
2004: 82%
2003: 80%

KRONES Group sales by segment

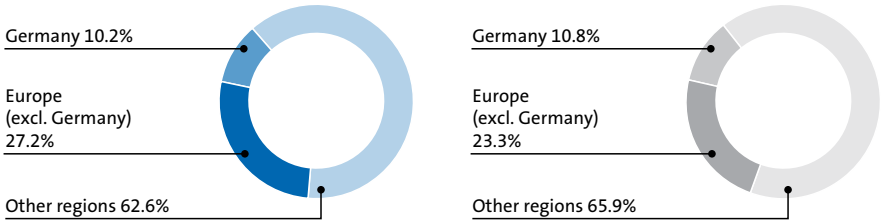


Sales in 2011: €2,480.3 million

Sales in 2010: €2,173.3 million

KRONES' core segment, machines and lines for product filling and decoration, grew more than the other segments in 2011, expanding its share of total sales to 86.1%.

KRONES Group sales by region

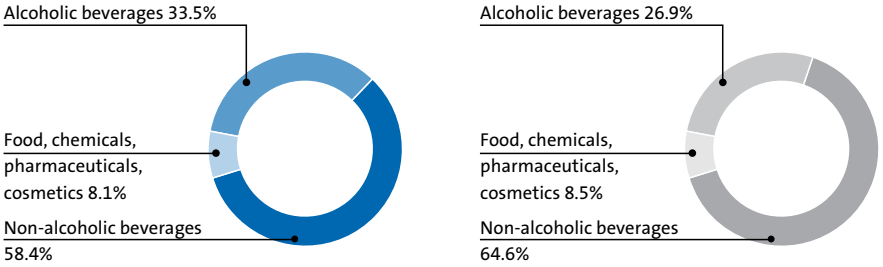


Sales in 2011: €2,480.3 million

Sales in 2010: €2,173.3 million

Business at KRONES was especially good in the European markets (excluding Germany).

KRONES Group sales by industry



Sales in 2011: €2,480.3 million

Sales in 2010: €2,173.3 million

Strong demand for alcoholic beverages, particularly in the growth region of Eastern Europe, made for a dramatic increase in sales revenue from producers of alcoholic beverages in 2011.

More figures and information about our business development is in the 2011 Annual Report.

Legal form

Stock corporation under German law (Aktiengesellschaft, AG)

Executive Board

Volker Kronseder (Chairman of the Executive Board, Human Resources and Corporate Communications); Hans-Jürgen Thaus (Deputy Chairman of the Executive Board, Finance and Information Management through 31 December 2011); Christoph Klenk (Technology, Research and Development through 31 December 2011; Finance and Information Management since 1 January 2012), Rainulf Diepold (Sales and Marketing), Werner Frischholz (Operations and Service), Thomas Ricker, (Technology, Research and Development since 1 January 2012).

In addition, each of the group companies is the responsibility of two members of the Executive Board.

Supervisory Board

Pursuant to § 8 (1) of the articles of association, six members are elected by the shareholders in accordance with the German Stock Corporation Act (§§ 96 (1) and 101). Six members are elected by the employees pursuant to §§ 1 (1) and 7 (1) sentence 1 no. 1 of the Codetermination Act.

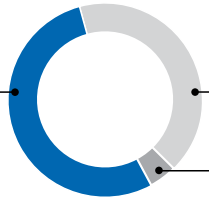
The Supervisory Board appoints the members of the Executive Board and approves important corporate decisions.

The structure of the compensation system for the Executive Board was discussed in detail and determined by the Supervisory Board on the basis of the recommendations contained in the German Corporate Governance Code. Details can be found on pages 119 to 121 of KRONES' 2011 Annual Report.

Shares

KRONES shares are no par value ordinary bearer shares. Each share carries one vote. The stock has been listed and available for trading on all German stock exchanges since 29 October 1984. KRONES' share capital of €40.0 million is now divided into 31,593,072 shares. KRONES is included in the MDAX share index, the German stock exchange's midcap index.

Shareholder structure (at 29 February 2012)



The Kronseder family still holds the majority of KRONES' shares. The stable shareholder base is beneficial when it comes to implementing long-term strategies.

KRONES' sustainability strategy and values

Doing business in a sustainable, socially responsible manner has been an integral part of KRONES' corporate philosophy for decades. The overarching goal of our corporate social responsibility (CSR) strategy is to be guided by fundamental values such as honesty, transparency, fairness, and authenticity. With our CSR strategy, we are integrating social and environmental considerations into our business processes and therefore helping to ensure our long-term success.

KRONES' mission statement

Living up to our values and creating value – together

Our customers around the world are primarily in the food and beverage industry. We provide them with machinery, lines, and systems, including all related services, that are the best in every respect.

KRONES' mission statement reflects our company's character. It forms the basis for all decisions within the company and conveys a realistic picture of our corporate culture to external stakeholders.

To consolidate our position, we will continue to grow profitably and further expand our technology leadership – with innovation, a passion for change, and consistent performance. We listen to our customers and develop our products to meet their needs. Our lines and complete solutions provide the highest level of efficiency at competitive prices. Our global network enables us to provide fast, cost-effective, high-quality service – anytime, anywhere around the world.

All strategic decisions are aimed at ensuring the company's sustainable development. Even when optimising profits and cash flow in the short term, we still keep sustainability sharply in focus. This makes KRONES a dependable partner for our customers, employees, shareholders, and suppliers. Our financial strength gives us independence. We use resources wisely in order to safeguard this freedom for the long term.

Our sites around the world form a global value chain that serves as the very foundation of our success. Each of our core modules is built at only one site worldwide, with exceptional cost-effectiveness. These sites concentrate our expertise and experience in the relevant technology. To secure this advantage for the long term, KRONES offers attractive working conditions, promising training opportunities, and plenty of room for individual development at all of our sites worldwide. Transparent hierarchies, appreciative leadership, and clear goals inform our corporate culture. To stay agile and competitive going forward, we keep our structures lean and efficient.

We are a multinational corporation where a diversity of cultures, languages, and ways of life come together on equal footing. We are fair and forthright in our interactions. Honesty and transparency inform all of our actions. We are interested in the thoughts and opinions of our employees and partners and are willing to learn from others.

KRONES – We do more

KRONES code of conduct

As the market leader, KRONES intends to be, and ultimately has to be, the standard-setter – and this includes our ethical behaviour. Sustainability has always been an important part of KRONES' corporate strategy. This places high demands on each and every one of us. We want to ensure that our actions are always irreproachable, correct, and exemplary. For this reason, we have drafted a code of conduct on the basis of the shared values that are our corporate guidelines.

The aim of the code of conduct is to ensure company-wide compliance with laws, standards, and guidelines in order to create a working environment of integrity, respect, fairness, and accountability. It is binding for all KRONES employees – including the Executive Board, management, and every member of our staff worldwide. All employees are urged to not only comply with the guidelines in the code of conduct in a formal sense but to live and breathe their meaning and purpose. Only in this way can they serve as the basis of an open and vibrant culture of compliance.

In the interest of all employees, violations of the code of conduct are systematically investigated and disciplinary action taken. Of course, we want KRONES to be recognised as the market and technology leader. But we also want our customers, employees, suppliers, and shareholders as well as government agencies, institutions, and the general public to perceive us as a reputable, trustworthy, and dependable partner. That is crucial to retaining and expanding our position as the market leader.

The complete KRONES code of conduct is available online at www.krones.com/downloads/Coco_2010_e.pdf.

Suppliers' code

KRONES has developed a suppliers' code that commits suppliers to act responsibly. The suppliers' code is available online for download at www.krones.com/downloads/Liko_2010_e.pdf. The code covers safety, health, the environment, quality, human rights, employee standards, and preventing and fighting corruption. In order to ensure compliance, our quality assurance team performs audits on site at the suppliers' facilities. In addition, KRONES seeks to use vendors that are also certified by an independent institution.

KRONES has developed a suppliers' code that commits suppliers to act responsibly. The suppliers' code is available online for download at www.krones.com/downloads/Liko_2010_e.pdf

Corporate governance

For KRONES, the German Corporate Governance Code is an integral part of governance. The Code presents essential statutory regulations for the management and supervision (governance) of German listed companies and contains internationally and nationally recognised standards for good and responsible corporate governance. The management of KRONES takes the principles and rules of corporate governance into account in all business activities which are aimed at systematically increasing the company's value for the long term. More information and details on our statement of compliance as well as the compensation report are published in our Annual Report (pages 110 to 111 and 119 to 121) and online (www.krones.com).

Sustainability in our organisation

KRONES AG has systematically anchored its sustainability strategy in the company by way of group-wide standards and an organisational structure that includes clearly defined responsibilities (see chart below).

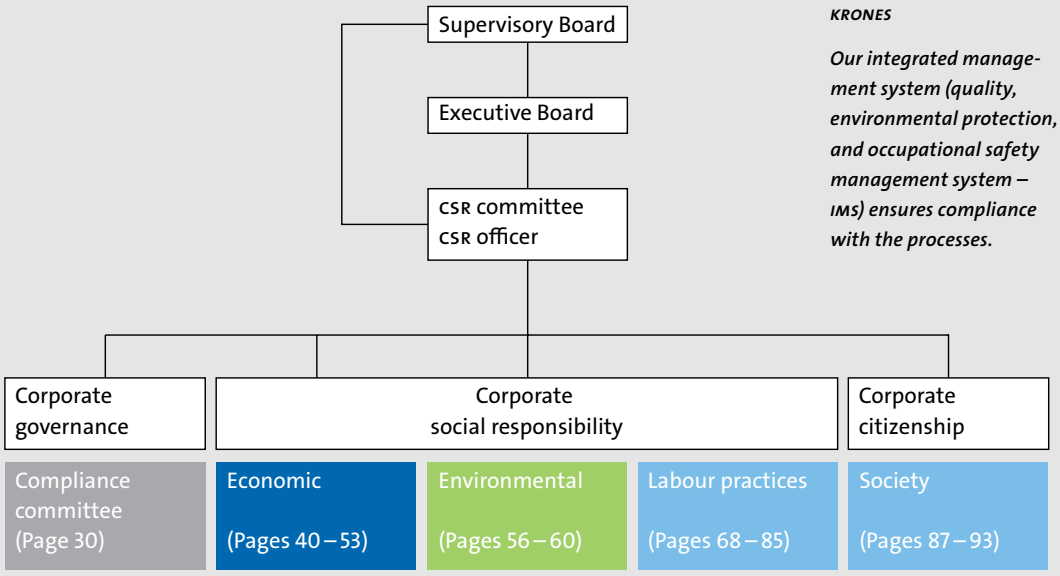
KRONES has established an organisational structure for addressing sustainability. The CSR committee plays an important role here and has far-reaching authority.

CSR committee

The most important body in this respect is the CSR committee, which is endowed with far-reaching authority. The CSR committee monitors compliance with the group-wide CSR guidelines and initiates open, neutral dialogue with stakeholders. Another of the committee's core duties is to oversee implementation of the company's CSR goals and intervene where necessary.

CSR specialist teams

These teams consist of representatives from various departments and define sustainability-related goals, actions, and tasks. The CSR officer brings these proposals to the CSR committee. In collaboration with the Executive Board, the CSR committee in turn ensures that sustainability issues are translated into appropriate actions throughout the group.



CSR management at KRONES

Our integrated management system (quality, environmental protection, and occupational safety management system – IMS) ensures compliance with the processes.

KRONES' CSR strategy

The CSR strategy 2015 that we communicated last year is now embedded in the overarching corporate strategy programme »Value«. The aim of our »Value« strategy is to create »added value« for our company, our employees, our customers, our suppliers, our investors, and society as a whole. Because the strategies pursue parallel objectives, it only makes sense that the CSR strategy will contribute to our company's long-term success as a component of »Value« in the future.

Of course, the CSR targets we set last year remain unchanged. KRONES will continue to work toward achieving these targets. Beginning with this year's sustainability report, we will be reporting on individual actions and progress in the chapters on economy, environment, labour practices, and society and in the section on our goals and actions.

»Value« is about actively shaping our company's future and carrying on the successes of the past. With »Value«, we want to keep KRONES on course for sustainable, profitable growth and strengthen our brand values

- Securing value for a strong future
- Creating value with powerful solutions
- Respecting values in effective dialogue

For this reason, this report includes a discussion of two CSR topics from 2011 relating to each of these three brand values. We believe the introduction of our energy management system (pages 24 and 25) and our PET recycling process, which is supported by the European Commission (page 16) are »securing value for a strong future«. The newly launched »Brainpool« (pages 34 and 35) and the enviro sustainability programme (pages 36 to 39) are described in detail under the heading »creating value with powerful solutions«. Finally, a discussion of our human resources strategy and strong partnership with university students (pages 62 to 65) shows how KRONES is »respecting values in effective dialogue«.

The success of our strategy is reflected in the fact that KRONES was one of the first companies to meet the strict standards of the German Engineering Federation's (VDMA) new sustainability initiative, BLUECOMPETENCE. The programme aims to become the leading initiative for ecological product and production design and for innovative environmental technologies in the mechanical engineering sector. With our CSR targets and the enviro programme, KRONES meets almost all of the criteria for inclusion in the initiative (300 points out of a possible 320 points; with a minimum of 170 points required for inclusion). That underscores our leadership in terms of sustainability.

At the end of 2011, KRONES had a solid equity ratio and was free of bank debt despite high capital expenditure. This financial strength and independence is a crucial factor for doing business sustainably.

Dieter Stadler
Senior Vice President Finance and Accounting

Our primary goal as Works Council and employee representation on the Supervisory Board is to cultivate respectful cooperation and long-term job security. We met this goal once again in 2011.

Werner Schrödl
Works Council

In our daily dealings with customers, we in sales see how sustainability is becoming more important all the time. Our customers' response to KRONES' CSR strategy shows me that KRONES is way out in front in this area.

Astrid Haitzer
Sales organisation

KRONES' enviro portfolio allows our customers to implement their own sustainability strategies with a focus on efficient solutions, resource-saving machines, and eco-friendly technologies.

Caroline Herbst
Marketing Sales

Brainpool – where innovation grows

»Our employees' ideas secure KRONES' future.«

Kaj Führer, head of innovation management, on KRONES' Brainpool, new processes, and the benefit for our company.

What exactly is this Brainpool that KRONES launched in 2011?

KRONES' Brainpool consists of three parts: The Brainpool Improvement merges the existing continuous improvement process for production and assembly with our employee suggestion system. The *Brainpool Invention* provides a platform for reporting inventions. The third part is the *Brainpool Competition*.

What do you consider the main advantage of KRONES' Brainpool system?

I see a major advantage in its user friendliness. Employees can post their ideas directly on Brainpool and then track the status of their improvements or inventions. That eliminates the need for paper forms. You can access KRONES' Brainpool directly from the start page of our intranet, »KRONES inside«.

New software alone is not enough. What is going to change for the employees?

In our Brainpool Improvement, we introduced a supervisor model, which has already proven its worth in production and assembly. Within this model, an employee's idea is first checked by his or her immediate supervisor. Previously, suggestions went to a central contact in our patent department. We plan to use the supervisor model company-wide.

Why do you think employee involvement is so important?

We want active employees that can develop ideas beyond their immediate work reality. I consider employee inventions and improvement suggestions a way of safeguarding KRONES' future.

Does KRONES reward contributing employees for their ideas?

Of course KRONES provides monetary rewards for improvement suggestions. But there is more to it than money. I know from other companies that the contributing employees found it far more important to see their ideas implemented than merely to be paid for them. They are often finding solutions to problems in their work environment and want to see them implemented quickly. For inventions, there are statutory regulations. Inventions are rewarded if they result in a patent that KRONES will actually use.

What are your plans going forward?

For now, the KRONES Brainpool for improvements and inventions are available to our German sites. The Brainpool Competition will go live when we need to tap our employees' know-how for a concrete task. KRONES will reward the best solution, for instance, for a new product concept. On a longer horizon, the KRONES Brainpool will be available group-wide so that we can tap the expertise of all KRONES employees across the globe.

Creating value with powerful solutions

enviro conserves valuable resources

enviro specialists Albert Link and Clemens Berger answer key questions about enviro.

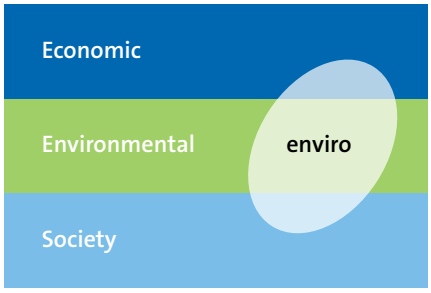
What is enviro?

- enviro is KRONES' programme for sustainable products
- enviro is an integral part of KRONES' CSR strategy
- enviro translates CSR concepts into KRONES products

Why enviro?

The promise of creating »added value« for our customers stands at the core of KRONES. With enviro, we are making good on this promise. Machines and lines that bear the enviro seal are

- Innovative and powerful
- Resource efficient
- Environmentally friendly in operation
- Safe for operating and maintenance personnel



With enviro, we have established the first standard in our industry for objectively assessing the energy and media efficiency and environmental compatibility of machines and systems.

What is the goal of enviro?

With enviro, we have set ambitious goals. As the technology leader, we can achieve them. We deliver machines and systems to the beverage industry that

- Have the lowest rates of energy and media consumption
- Use the most environmentally friendly media and materials
- Do not produce emissions that harm the environment
- Use a large share of recycled materials
- Use a large share of renewable energies
- Can produce recyclable water
- Minimise the proportion of non-recoverable waste

enviro as a management system

As a management system, enviro is integrated into all KRONES processes. It has been audited and certified by TÜV SÜD. The result: TÜV SÜD confirms as an independent auditor that, in enviro, KRONES has established a process that results in energy and media efficient, environmentally friendly machines and lines.

Example: EvoLite – our latest enviro product

EvoLite is the machine technology behind LitePac – the revolutionary secondary packaging for PET containers. EvoLite received enviro certification in 2011.

Advantages of EvoLite over shrink film packaging at a glance:

- Over 90% in energy cost savings
- Over 65% in packaging material cost savings
- Smaller footprint for the system

The following calculation shows how these benefits pay off for customers:

Total cost of ownership (TCO) versus shrink packs:			
Example: 1.5-litre containers in a 3 x 2 LitePac	Operating hours per year		
	2,000	4,000	6,000
	Line output: 20,000 cph*		
Containers produced/year	28 million	56 million	84 million
Savings/year	€85,000	€169,000	€253,000
	Line output: 43,200 cph*		
Containers produced/year	61 million	121 million	182 million
Savings/year	€171,000	€343,000	€515,000

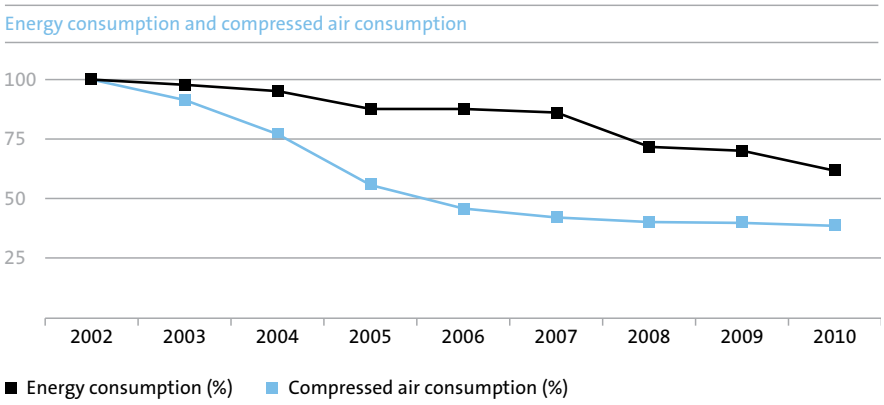
*Containers per hour

Example: Contiform

We have continually evolved our enviro-certified Contiform stretch blow moulding machine over the past several years in an ongoing effort to reduce its compressed air and energy consumption. In the period from 2002 to 2010, we cut the Contiform's energy consumption by 38% and compressed air consumption by 61%.

The new Contiform 3, which was launched in 2011 (see pages 54 and 55), saves our customers even more energy and compressed air.

Reducing the amount of energy and compressed air consumed by Contiform

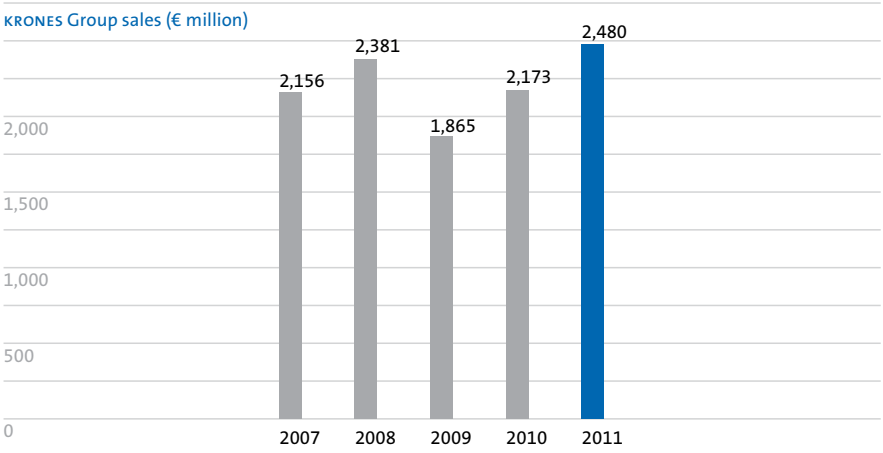


A company must be consistently profitable to be able to fulfil its responsibilities toward its employees, business partners, and shareholders and to the environment and society. KRONES is also convinced that the only way a company can be profitable in the long term is by conserving resources, taking environmental protection seriously, and taking on social responsibility.

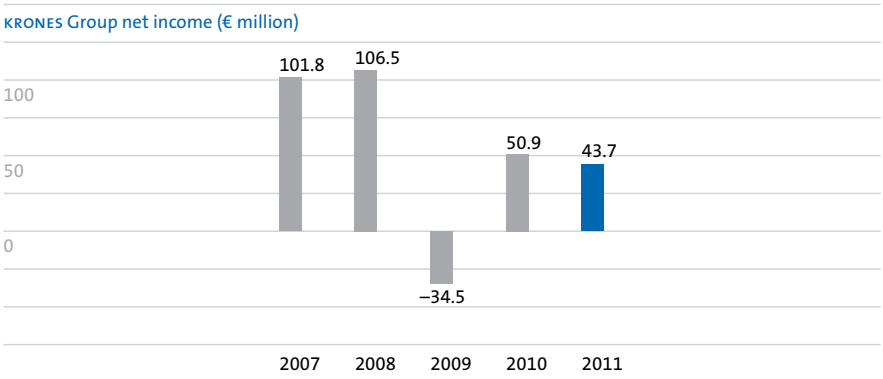
Suppliers and customers alike know KRONES to be a dependable business partner. That is the foundation for lasting, trusting business relationships.

Thea Schweiger
Material Management

Sales up sharply in 2011



With this strategy, KRONES intends to further expand its market lead and to use the opportunities provided by long-term market growth for beverage packaging lines. In 2011, KRONES once again benefited from our sector's growth and even grew faster than the market. Sales revenue at KRONES increased 14.1% (€307 million) to €2,480 billion. Apart from the general economic recovery, these figures also reflect KRONES' technological leadership on the market and the continuing success of the »Value« strategy programme. The company's bottom line was positive in 2011, with consolidated net income of €43.7 million (previous year: €50.9 million). The fact that net income was down slightly despite the increase in sales revenue was due in part to a provision recognised for legal disputes in the USA and in part to a higher tax rate.



Due to one-time expenses, consolidated net income was down in 2011, to €43.7 million.

KRONES maintains focus on »Value«

With the »Value« strategy programme, KRONES intends to create added value for customers, employees, suppliers, shareholders, society as a whole, and of course, KRONES itself. Under »Value«, we intend to achieve sales revenue growth of seven percent on average and a pre-tax return on sales (ROS) of seven percent. To achieve this, it is imperative that we continue to improve our relationships with our customers.

Increasing efficiency to strengthen customer loyalty

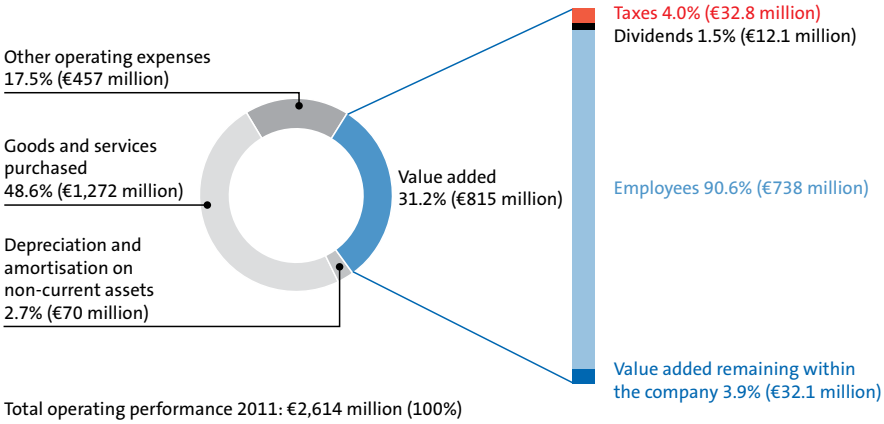
Our comprehensive customer relationship management (CRM) strategy is aimed at further strengthening our relationships with customers and increasing the performance of our sales force. Our sales staff must have immediate access to all important information wherever they are in the world. They need precise knowledge of customers' individual requirements in order to provide optimum, needs-driven advice and offer the right products and services.

To further ensure such access, we have tested, analysed, and optimised all of our sales processes. The result is a »Lead to Project« (L2P) process that ensures uniform sales process flows throughout the KRONES group. The process extends from identification of potential customers (leads) to finalisation of contracts to customer satisfaction analyses. The new CRM system maps the entire process. As a result, our sales activities are more efficient and we are able to serve our customers' needs faster and better. We are confident that the new CRM strategy will strengthen customer loyalty and improve our chances of winning new customers.

KRONES' LCS Centres give me a big advantage as a service technician. No matter where in the world I am deployed, I can count on the support of local people.

Nieru Rutere John
Technical mechanic, Kenya

KRONES Group value added calculation



Total operating performance 2011: €2,614 million (100%)

More than 90% of KRONES' value added went to our employees in the form of wages, salaries, and social security contributions.

Value added increased further

The value added calculation presented here shows the KRONES Group's contributions to the economy and society. A company's value added is calculated by deducting the expenses for production – that is, cost of goods and services purchased, depreciation and amortisation on non-current assets, and other operating expenses – from total operating performance. The result for KRONES for the year under review is value added of €815 million (previous year: €753 million).

The lion's share – 90.6% or €738.5 million – went towards our employees. In addition to wages and salaries (€613.5 million), KRONES spent €125.0 million on social security contributions, pension plans, and employee benefits.

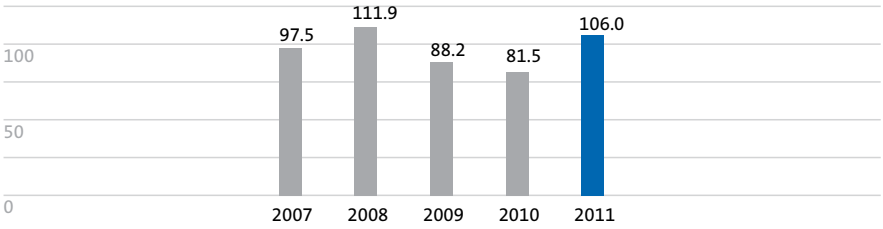
In addition, €32.8 million or 4.0% of value added went to the state in the form of tax payments. Shareholders received €12.1 million or 1.5% in the form of dividends. Thus, €32.1 million in value added remained within the company in 2011. This amount is available for expansion projects and, thus, for funding future growth.

Increasing capital spending

KRONES stands by its conviction that providing leading technology and services is the only way to achieve long-term, sustainable value added. For this reason, the company has a long tradition of investing heavily in its employees, production facilities, and research and development. KRONES invested around €106.0 million (previous year: €81.5 million) in property, plant and equipment and intangible assets during the reporting period. This spending went toward new production machinery, the expansion of the international LCS Centres, the construction of training centres in Rosenheim and Neutraubling, and construction of the Centre for Logistics and Module Production in Rosenheim.

KRONES did not receive any government funding, subsidies, tax relief, or other grants for its capital expenditures. KRONES will continue to invest in the future to the extent necessary to maintain our leadership of the market for the long term.

KRONES Group capital expenditure for PP&E and intangible assets (€ million)

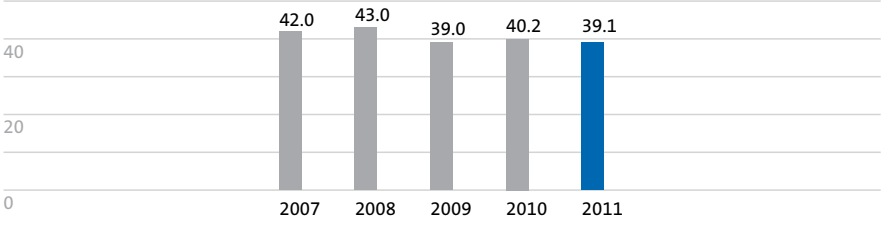


KRONES increased capital spending considerably in 2011.

Balance sheet and financial structure remain strong

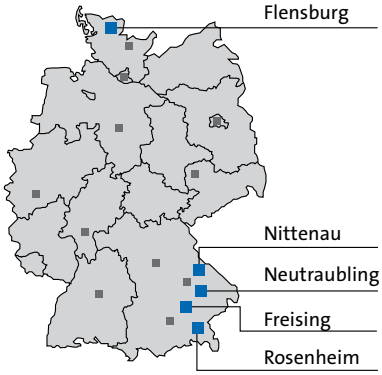
The company must have a strong financial footing if we are to sustain our high rate of capital expenditure on a lasting basis. With cash and cash equivalents of €125.5 million and an equity ratio of 39.1% at the end of 2011, KRONES has plenty of leeway with which to implement a long-term capital spending strategy and further consolidate its leadership on the market – and to remain largely independent of lenders.

KRONES Group equity ratio (%)



The equity ratio was down slightly due to higher total assets in 2011. However, at 39.1%, it is still at a very comfortable level.

We produce machines and lines for the premium segment. And with the exception of our subsidiary KOSME (< 4% of consolidated sales), which produces in Italy and Austria, we make them all in Germany. All manufacturing steps are carried out in one of our German plants, in Neutraubling (company headquarters), Nittenau, Rosenheim, Flensburg, or Freising.



KRONES is committed to Germany as our business location and, with an excellent record for on-time deliveries, has established a reputation as a dependable partner.

KRONES is committed to producing in Germany for the long term

Providing cutting-edge technology and the highest possible quality requires close collaboration between our R&D people and our specialists on the shop floor. Short paths of communication are crucial. It is especially important as KRONES has evolved from being a traditional machinery and plant builder to a one-stop provider of complete systems and technology. All of our departments and the people working in them – from engineers to technicians to production staff – must work closely together in both functional and spatial terms. That is why we are committed to maintaining our tried-and-true production matrix in Germany for our core modules. Our global service network ensures fast, high-quality service – anytime, anywhere around the world.

We are continually evolving our internal processes and, as a result, we have maintained an excellent record for on-time delivery – despite sharp fluctuations in demand. That means KRONES is a dependable partner to its customers, helping to ensure that they and their employees can also serve as dependable links in the value chain for the long term.

Another of KRONES' goals is to conserve resources in our own production. We achieved this goal in 2011. Energy consumption relative to sales revenue was down. In other words, we used less energy for each euro in sales we generated. Detailed environmental data is presented in the »Environmental« section of this report, beginning on page 56.

KRONES is investing heavily in decentralised service business

Lifecycle Service (LCS) bundles all aspects of KRONES' service business and employs more than 1,800 highly qualified people. LCS covers all maintenance and repair services, spare parts and change parts, individual services, software tools, and training. KRONES has for years invested heavily in Lifecycle Services (LCS) in order to provide our customers with a comprehensive range of top-quality KRONES products and services – any time and anywhere around the globe. To ensure smooth production at our customers' plants, we must have service specialists and spare parts available locally worldwide. KRONES maintains more than 40 subsidiaries and offices around the world. In addition, we have in recent years established Service Centres at strategic locations to serve as decentralised support bases.

We further expanded these Service Centres in 2011. As in years past, a large portion of our investment here went into our Chinese service base in Taicang. Last year KRONES hired around 300 new employees in our various service offices. We attach great importance to ensuring that our employees speak our customers' language and understand their culture. By improving the availability of parts in our decentralised warehouses, we were able to further enhance the level of service offered by our international Service Centres in 2011.

When contracting installation services abroad, we carefully ensure that the foreign subcontractors meet our strict environmental and social standards (see the discussion of our suppliers' code on page 30). In our quality assurance department, some 15 people are at work worldwide, monitoring the installation of our lines on site.

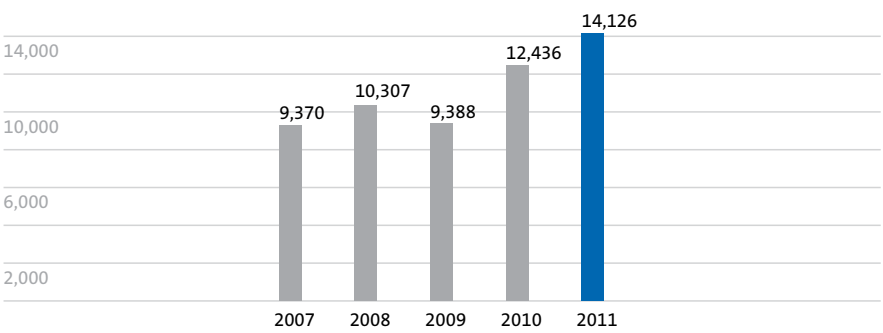
Working as a service team member for an international company like KRONES gives me a chance to see the world. That is great fun and makes my job interesting.

Lonthaisong Thaworn
Technical support, Thailand

KRONES Akademy

The KRONES Academy is an important component of KRONES Lifecycle Service. It offers a broad range of practical training courses that we are constantly improving. More than 50 qualified trainers instruct operating personnel on the fundamentals of our machines and lines, conduct special courses for individual jobs, and train management personnel. All of our course offerings are aimed at ensuring that our customers have a perfect mastery of their KRONES machines and lines so that they can operate them safely and efficiently. Last year, the number of participants increased considerably. In 2011, a total of 14,126 people (previous year: 12,436) attended KRONES Academy events at our headquarters in Neutraubling and at our international training centres, which are also located within KRONES' Service Centres.

KRONES Academy participants



The number of customers participating in KRONES Academy courses rose considerably again in 2011.

An important Academy course offering is our »Train the Trainer« programme, which provides continuing education for KRONES' own coaches. The knowledge gained in these Academy courses enables our trainers to provide invaluable assistance to line operators on site. Our team of trainers grew steadily last year, numbering 72 at the end of 2011.

High standards for suppliers and logistics

Our suppliers and their reliability for on-time delivery are critical to our own efforts to keep up an excellent delivery record. The long-standing, fair relationships we maintain with our business partners help ensure this dependability.

KRONES uses local suppliers. That benefits companies in the region and the shorter transport distances make for lower CO_2 emissions.

We purchase raw materials, products, and services from partners in some 60 countries. We expect these partners to operate in accordance with our company's ethical values (see the discussion of our suppliers' code on page 30).

As a company that operates on the just-in-time principle, KRONES sometimes has to give priority to speedy delivery to the production and delivery chain over environmentally optimised transport. Nevertheless, KRONES strives to further optimise the efficiency of transport and logistics. We achieve this in part by increasing our own vertical depth of production, thereby eliminating many supply transports, and in part by using suppliers that are close to our production sites as much as possible. And wherever possible, KRONES relies on ship or rail to deliver our machines and lines instead of air transport.

Risk management is an important factor for success

Our »Value« strategy assigns considerable importance to improving and refining our risk management system. That is because KRONES is exposed to a variety of risks that are inextricably linked with doing business globally. We continuously monitor all significant business processes to identify risks early and to actively manage and limit them. An internal control system with which we record, analyse, and assess all relevant financial and operating risks (from liquidity risks to personnel risks) is an integral part of KRONES' risk management system. We monitor all material risks and any countermeasures already taken in a detailed, ongoing process that entails planning, information, and control. We are continually expanding and improving our risk management system on the basis of practical experience. The system consists of the following modules: risk analysis, risk monitoring, and risk planning and control.

At present, KRONES does not foresee any physical, regulatory, market, cost, or legal risks worldwide that could arise from climate change. Therefore, the company is not currently discussing actions relating to such risks.

Details on risk management and the risk categories can be found in the risk report in our 2011 Annual Report.

Quality assurance expanded to include »energy«

The name KRONES has always been synonymous with top quality. As the market leader for beverage and packaging technology, we feel an obligation to always provide our customers with the latest technology and the highest quality. But the concept of quality encompasses more than products and manufacturing processes. It also stands for our responsibility to protect the environment and to comply with standards for occupational safety and health. In obtaining certification of our IMS for all of our sites in Germany in 2009, KRONES also strengthened its role as a leader in this area. The existing quality management systems were expanded into an integrated management system (IMS) for quality (DIN EN ISO 9001), environmental protection (DIN EN ISO 14001), occupational safety (BS OHSAS 18001), and information technology service management (ISO 20000) and certified by TÜV SÜD.

In May 2012, TÜV SÜD audited and certified our new energy management system under the DIN ISO 50001 standard. Our aim is to collect energy-related performance data and to improve energy efficiency, thereby reducing energy consumption and costs. With the certification, the energy management system becomes another component of our integrated management system (IMS).

Benefits of the energy management system:

- Transparency on energy consumption
  We have to know our consumption before we can utilise potential for savings
- Increased energy efficiency
  Concrete measures and integrating the topic of energy into KRONES' processes reduce energy costs
- Reduced CO_2 emissions

KRONES uses internal and third-party audits to ensure process security across the entire system.

KRONES intends to expand the breadth and depth of the IMS in the years ahead (with more management systems and by including LCS Centres and branch offices).

With KOSME's portfolio, KRONES shows that we are not just concerned about global companies but that we also place equal importance on producers in the lower output ranges.

Cinzia Milani
KOSME Sales

As the world's market leader for beverage filling lines, KRONES bears responsibility to its customers. They expect KRONES to develop and produce systems and machines that give them added value. And we intend to meet this expectation with new and better products.

For this reason, KRONES attached high importance to and is continually expanding our research and development (R&D) resources. Intensive dialogue with our customers, new technological possibilities, and megatrends inspire innovation at KRONES. We currently have more than 1,750 people conducting fundamental research, developing production-ready technologies, and continually improving existing products.

When deciding which R&D projects to pursue, our unwavering focus is on the added value we can generate for our customers with new and better products. The resulting products must be innovative and dependable and conserve resources. There is a direct benefit to customers when machine uptime increases and energy and media consumption decrease. For this reason, KRONES has numerous development projects underway aimed at reducing make-ready times, automating troubleshooting, and simplifying cleaning and maintenance. All new developments are aligned with the criteria of our enviro programme, which forms an integral part of our corporate strategy. With enviro, KRONES has established a standard of energy and media efficiency for machines and lines in the packaging industry (see page 51 for more information).

Another gain for customers and KRONES alike comes from our efforts to reduce commissioning times. These efforts include thorough testing of complete systems like the ErgoBloc L at our plant. Streamlined machine designs also help to speed the commissioning process.

Corporate social responsibility is becoming progressively more important to customers in our market area and KRONES' enviro programme ensures that we, at KRONES UK, have a competitive advantage. The continuing focus on combining cost-efficiency and eco-compatibility is essential in providing our customers with what they require both now and in the future.

Andrew Wilson
Managing Director KRONES UK

Many new patents for KRONES

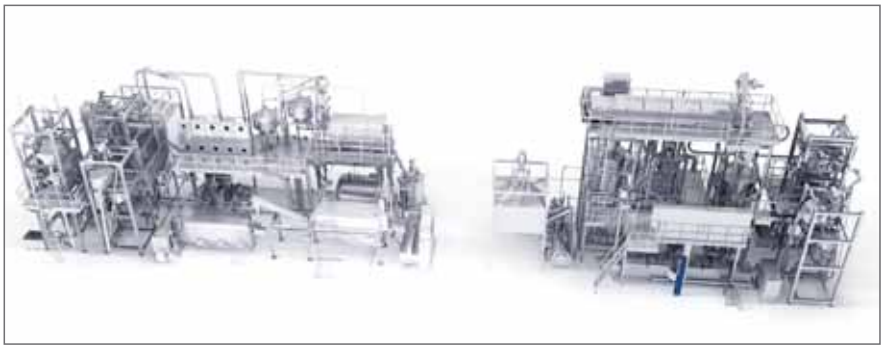
To create value for the long term, it is important that we secure our innovations with patents. In 2011, the number of patents and utility models held by KRONES grew to more than 2,200. The number of patent applications was up by around 30%. Patents in KRONES' core technology areas – such as filling, plastics, labelling, packing, and palletising – increased sharply. We were also able to protect many system-related developments with patents in the year under review.

SuperPET – EU funding for KRONES PET recycling process

KRONES' recycling systems are one example of successful project developments. These projects have been receiving funding from the European Commission under its eco-innovation programme since July 2011. The programme's goal is to successfully establish eco-compatible processes and environment-friendly products in the European market, thereby strengthening the competitiveness of companies in the EU. The KRONES recycling process is making an important contribution to protecting the natural environment by reducing waste, emissions, and pollutants.

From the large number of applications from across Europe submitted to and reviewed by the EU, KRONES' SuperPET project was rated as particularly deserving of support and approved by the Executive Agency for Competitiveness and Innovation (EACI).

The crucial factors behind the decision to support KRONES' PET recycling process (also referred to as the Super-Clean PET Flake Process) were not only the cost effectiveness of the system and the quality of the recycled product but also its high market potential in the 27 countries of the European Union. KRONES is offering the PET recycling market a fully developed, field-tested technology that is able to produce food-grade flakes from used PET bottles for making new PET containers. The super cleaning process produces high-purity flakes that can immediately be used as material for new bottles. Conventional approaches require additional process steps to make food-grade recycled PET. This innovative process saves on electricity, thermal energy, water, and new raw materials, including petroleum. The reduction in CO_2 emissions is substantial.



A KRONES PET recycling line: left is the washing module, right is the decontamination module.

First lines already in operation

One of the first PET recycling lines from KRONES went into successful operation at the soft drinks producer Akij Food & Beverage LTD in Bangladesh in 2009. The Akij Group invested in the high-tech line (comprising a washing module and a decontamination module) and is already able to cover at least 30% of its raw PET material requirements for its in-house PET perform and PET container production operations with recycled PET flakes. Increased independence from the global market for raw PET materials is one of the direct results of this investment.

KRONES PET recycling lines are already in operation in Japan and Bangladesh.

The Japanese FP Corporation, Hiroshima, has been operating a KRONES bottle-to-bottle PET recycling plant since the beginning of 2011. In Japan, FP is the only manufacturer of disposable food trays that uses recycled material for the food industry. The aim is to use 100% recycled PET.

Sleevematic ES

The new Sleevematic ES labeller drew interested crowds at the interpack 2011, the world's most important trade fair for the packaging sector. The Sleevematic ES handles stretch-sleeves with an exceptionally high stretch rate of up to 55%. The recyclable LDPE film is a very eco-friendly product. The sleeves' high stretch rates mean that less material is needed than for shrink sleeve labelling. These sleeves are also particularly well suited for specially designed containers with sharper contours since they are twice as elastic as conventional stretch sleeves. As a result, they form a close fit and can accommodate any subsequent stretching of the containers. This new technology eliminates the need for both a shrink tunnel and a container dryer, dramatically reducing energy consumption. The Sleevematic ES is the perfect response to the increased demand for eco-friendly, sustainable beverage containers that are nevertheless attention-getting and cost-effective.

The new Sleevematic ES labeller handles highly elastic film sleeves.

Contiform 3: The new generation of blow moulders offers many advantages

The successful launch of the new Contiform 3 stretch blow moulder was an especially important achievement in the year under review. With it, KRONES has once again set new standards for the production of PET plastic containers. One highlight of the Contiform 3 is a redesigned blowing module, which boosts the machine's output from 2,000 containers per hour per blowing station to 2,250. We also cut compressed air consumption by around one-third. These groundbreaking improvements were possible thanks to innovative technologies like an electromagnetically controlled stretch system and a compressed-air recycling system. Big benefits for customers include a further 15% reduction in the energy consumed during preform heating, increased user-friendliness, improved hygienic design, and faster moulding cavity changeovers. Details on the Contiform 3 can be found on pages 54 and 55.

The Contiform 3 is faster, more efficient, and easier to operate and maintain than its predecessor.

Modulfill puts user benefits front and centre

With the development and launch of a comprehensive modular design concept under the name Modulfill, KRONES has established a new generation of fillers that is both sustainable and highly versatile, handling a wide variety of products while using a minimal variety of parts.

With Modulfill, KRONES is setting new standards for energy and media efficiency in the area of filling technology. KRONES has successfully bridged the gap between low operating costs and low initial investment, thus balancing cost-effectiveness and eco-compatibility.

The filler's modular design makes it easy to synchronise into a bloc arrangement with other machines.

enviro – the standard for sustainable products

With the enviro sustainability programme, launched in 2008, KRONES has established a standard of energy and media efficiency for machines and lines in the packaging industry. The enviro programme stands on three pillars: economy, environment, and ergonomics. It stands for innovative, high-performance machines and lines that use resources sparingly and offer customers added value while at the same time ensuring the safety of operating and maintenance personnel. All KRONES developments are now guided by the enviro programme, which earned TÜV SÜD certification in 2009. This independent certification enables KRONES to award the enviro seal for efficient use of energy and media (gas, water) and environmental friendliness.

The criteria for energy efficiency include:

- Electrical power
- Compressed air
- Heating and cooling

The criteria for media efficiency include:

- Gasses
- Water

The criteria for eco-friendliness include:

- Composition of all materials used (raw materials and supplies)
- Consumption of the media used in various defined operational states
- Emissions (e.g. noise and effluents)

We look at the entire beverage production and filling process and perform a detailed analysis of the machines' consumption data. Then our engineers work out intelligent solutions for minimising consumption. The result of this development work is lines that are proven to save our customers energy and other media such as water and compressed air. The consumption data are documented in the enviro passport. All relevant data are collected and consumption forecasts for the machines and systems are documented on the basis of a standardised, independently certified procedure.

At present, enviro looks only at the consumption data and eco-friendliness of individual KRONES machines in operation (»production« status). The results will be useful for figuring environmental report cards later.

As of this printing, the following machines have an enviro passport:

- Contiform stretch blow moulder
- Contiroll labeller
- Volumetic series of fillers
- Robobox pack collating system
- Stromboli wort boiling system
- Hydronomic water treatment system
- ErgoBloc L monobloc for the wet section of the line
- EvoLite packer

TÜV SÜD confirms Hydronomic water treatment system's compliance with enviro criteria
The certification department of TÜV SÜD Industrie Service GmbH has confirmed that the consumption data given in the system's enviro passport are in fact those achieved in day-to-day operation. TÜV SÜD tested and certified the KRONES Hydronomic water treatment system installed at the Einbecker Brewery in accordance with the requirements of the enviro management system. As a result, there is independent certification of KRONES' water treatment system on file for the first time.

Wound membrane module within the Hydronomic RO

enviro confirms a pump efficiency optimally matched to the output involved for the Hydronomic RO water treatment system featuring membrane technology installed at the Einbecker Brewery. Energy consumption is up to 20% lower than with conventional systems. In addition, the gentle treatment of the membranes makes for longer useful lifetimes as well as longer replacement cycles. All care and maintenance intervals have been specifically matched to the machine's actual requirements and personnel is alerted in good time so that the downtimes for maintenance work can be better planned.

With enviro, operators also receive special instructions on sustainable control and operation of the machine. In addition, enviro supports them in selecting the best-suited additives. The processing materials used for the Hydronomic RO comply with the enviro checklist and thus meet the requirements laid down in TÜV SÜD's environmental criteria. By adjusting to changes in the mains water quality, the enviro Hydronomic also provides automatic quality assurance.

The measurements recorded in the test report in regard to electrical power demand, wastewater quantity, and compressed-air consumption were likewise confirmed. This means that the consumption forecasts in the Hydronomic RO's enviro passport have also been validated.

This enviro certification through TÜV SÜD Industrie Service GmbH is another significant step for KRONES in its long-term strategy of launching sustainable machines and lines.

EvoLite strapping machine for new secondary packaging option

The newly developed EvoLite packer is the machine behind the revolutionary LitePac packaging option, which celebrated its world premiere at the interpack trade fair. LitePac is secondary packaging that offers significant advantages over conventional shrink packs (see page 38). EvoLite also meets enviro criteria with regard to media and energy efficiency and eco-compatibility.

»Our product innovations in sustainable packaging attracted a lot of interest among the international attendees [at the interpack].«

Volker Kronseder
Chairman of the Executive Board of KRONES AG

Because creating shrink packs requires wrapping bottles in a relatively large amount of film material and shrinking the film to the pack also consumes energy, KRONES' engineers developed LitePac – a more cost-effective and more eco-friendly alternative.

LitePac still groups bottles in rows of two, but arranges them at a diagonal instead of the customary parallel configuration. If customers wish to have bottles in a parallel configuration, LitePac can provide that, too. The grouping is then encircled with a slim strap made of PET. A second, somewhat wider strap made of polypropylene serves as a carry handle. The encircling strap features a tab for easy opening. All it takes is a quick tug of the fingers. What makes this design especially clever is that the band doesn't open completely but instead loosens just enough so that one or more bottles can be easily removed. The pack itself remains intact and can still be carried as a stable pack even with a bottle missing.

The packaging concept of the future – LitePac and the EvoLite machine

In a direct comparison with shrink packs, LitePac excels in several respects: Because it consists of only two narrow straps, it uses far less material. A pack consisting of six 1.5-litre bottles, like those commonly found in supermarkets, uses around 75% less material. This is an advantage that benefits consumers as well as producers since they have less waste to deal with and can therefore do their part to protect the environment. Shrink packs also create additional costs in bottling operations due to the shrinking of the film to the pack – an energy-intensive process step that LitePac dispenses with completely. Because the bottles are arranged diagonally in the LitePac, more packs can fit onto a single pallet than when shrink packs are used. Thus, LitePac is clearly the better choice for transport and storage as well.

Advantages of LitePac at a glance:

- Increased pack stability
- Easier transport and storage
- Lower energy consumption
- Far less material used/waste generated

Contiform 3

The most advanced generation of stretch blow moulders

The Contiform stretch blow moulder is one of KRONES' top-selling machines. After more than four years of intensive development, the Contiform 3 (C3) was launched in 2011 with many technological highlights. To obtain the enviro label, the development of the Contiform has been focused on three objectives from the very beginning:

- Efficiency
- Conserving resources
- Ergonomics

Each blowing station on the Contiform 3 produces 2,250 containers per hour – 250 more than its predecessor. That also means that only 16 blowing stations are needed instead of 18 for an output of 36,000 containers per hour. That has a positive impact on both machine size and changeover times – because 16 blowing stations can be changed out faster than 18. Another factor contributing to quick changeovers is MouldXpress – an optional system from KRONES that makes it possible to change over a blowing station in less than one minute.

The »less is more« concept is evident in other areas of the machine as well. By bringing the infrared heaters and the ceramic reflectors in the linear oven closer together, we were able to reduce the total amount of energy used in the oven by 15% compared with the predecessor model. Additional savings result from the use of »Monotec« drive technology, which has already proven itself in KRONES filling technology. The blowing wheel, both transfer starwheels, and the oven are now driven by servomotors

The housing, made of easy-to-clean aluminium sandwich-type plates, ensures hygienic container production

The optimised infra-red linear oven uses one-third less energy than the 2008 model.

The new Contiform is the result of more than four years of intensive development work which also incorporated many of our customers' experiences. It was an exciting project for all involved, but certainly not an easy one, recalls project lead Klaus Voth. In addition to the 16 full-time developers, many other colleagues from the product divisions and other departments were also involved. Voth emphasised that »This project would not have been possible without the exceptional cooperation of so many colleagues«. The results were certainly worth the effort. Customers have been showing great interest in the new Contiform.

that operate so efficiently that all of them together use less energy than a single asynchronous motor.

»Air Wizard Plus« – a further evolution of the machine's internal compressed air recycling system – was developed to significantly reduce compressed-air consumption. A new intermediate pressure stage within the blowing process now makes it possible to recycle a far larger share of the compressed air used in the machine. In addition, dead space was reduced to a minimum. Dead space is the volume in the valve block of the blowing station that must be filled with compressed air due to design constraints, even though this compressed air does not contribute to the generation of actual added value.

The stretching of the bottles is now accomplished entirely without the use of compressed air. While the rod that stretches the preforms downward inside the blow mould previously operated pneumatically, the Contiform 3 uses an innovative electromagnetic stretch system.

That the Contiform has been completely revamped is evident at first glance. The machine's housing has a new design consisting of aluminium sandwich-type plates. The new surfaces and the fact that the housing has minimal edges and gaps make for quick and easy cleaning. Many other details help to make the machine more hygienic, easier to maintain, and more user-friendly. For instance, the touchscreen display now has intuitive navigation and easy-to-understand menus make operating the machine much easier.

Environmental

Systematically evolving our environmental protection activities

KRONES has made reasonable and efficient use of resources one of its corporate guidelines and willingly accepts its responsibility for protecting the natural environment and preventing climate change. That is why we strive to conserve resources and minimise the environmental impact of our own production processes at our manufacturing sites. We comply with statutory regulations and do everything we can to ensure that we stay below prescribed limits. To accomplish this, we employ the latest technological processes. We aim to substantially reduce consumption of valuable resources in all other (non-manufacturing) areas of our company as well.

Other companies are most concerned with profit and increasing sales revenue. Employees play a subordinated role. That is not the case at KRONES. Our company values its employees highly and always takes the social aspect into account when taking decisions.

Wu Yan-Qiu
Human Resources and
IT-Administration, China

Introduction of the energy management system

To improve KRONES' environmental performance and energy usage even further and to make them even more transparent, the company began work on establishing an energy management system in accordance with DIN ISO 50001 during the year under review. This process was completed when the system underwent and passed the certification audit by TÜV SÜD in May 2012 (see pages 24 and 25).

Since our Italian subsidiary KOSME has its own management systems, it is not possible to collect uniform data for all of the group's production sites. For this reason, the environmental data presented here is limited to the German production sites.

Significant progress made in 2011

We are able to achieve our environmental targets by using new technological processes and renewable energy. The regional utility company Rewag has for several years been operating a cogeneration plant at KRONES' headquarters. The plant has three units and produces around 2,000 kilowatts (KW) of electrical power and the almost same amount of heat energy by way of a heat pump. Since February 2011, one of the units has been powered by biogas from Rewag's biomethane plant in nearby Kallmünz. In the warmer months, the waste heat is used to cool the buildings – with two absorption chillers converting it into around 1,000 KW of cooling power. The advantage of this system is that each absorber uses only one-tenth as much electrical power as a conventional cooling system. That saves KRONES about 350 KW of electricity per hour. Another innovation for cooling KRONES' buildings is the use of groundwater in the heating circuit of the underfloor heating system, which can be switched over to a ceiling-based cooling system since the cooled air sinks.

A new photovoltaic installation on the roof of the pipe machining centre in Neutraubling went into operation in August 2011. The installation produces around 146,000 KWh of electricity per year, most of which is fed into the plant's own network. The solar panels generate enough electricity to power 40 single-family homes each year.

KRONES also maintains its own collection station for waste and recyclables, uses closed-loop systems to minimise waste water, and operates a PET chipper that makes recycled material (PET granulate) for new preforms out of the test bottles produced in stretch blow moulder trials in a bottle-to-bottle system.

Many environmental performance indicators improved considerably in 2011

We were able to improve many important environmental performance indicators in 2011. Despite the 14.1% increase in sales revenue, KRONES reduced energy consumption by almost 4% in 2011. Water consumption and waste generation increased less steeply than sales revenue. As a result, all three consumption figures per €1 million in sales revenue – the relevant performance indicators used at KRONES – were down in 2011.

KRONES' success is not only a factor of technological leadership on the market. The high standard of quality to which we and our customers hold our products is also important. I am proud that we always meet that standard.

Herbert Obermüller
Senior Vice President Assembly

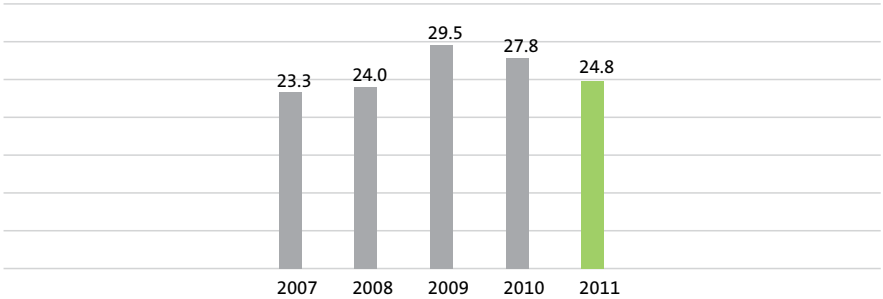
Energy consumption

The following energy consumption data relate to the energy required for operating the machines, systems, and buildings at our five sites in Germany. In collecting this data, we have included 100% of the energy consumed by our own buildings. Leased buildings are only partially included since some are leased at a flat rate that includes electricity, heating, and water and these buildings are generally shared with other users. We have not included consumption data for our vehicle fleet (fuel) or data for energy consumed at installation sites. In the year under review, total energy consumption decreased 4.0% to 113,132 MWh despite a 14.1% increase in sales revenue. Thus, energy consumption per €1 million in sales was down from 54.3 MWh in the previous year to 45.6 MWh.

Electricity consumption was up slightly, to 61,486 MWh (previous year: 60,478 MWh), which roughly corresponds to the electricity used by 15,700 three-person households in Germany. However, the figure per €1 million in sales was down from 27.8 MWh to 24.8 MWh.

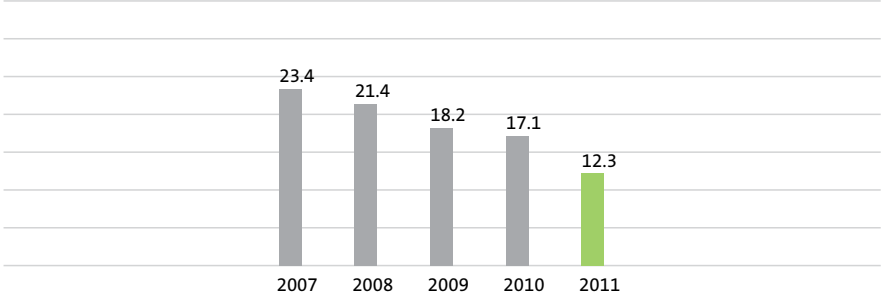
Natural gas consumption was also down sharply in 2011, from 17.1 MWh to 12.3 MWh to per €1 million in sales, thus continuing a years-long downward trend.

Energy used, electricity (MWh per €1 million in KRONES Group sales)



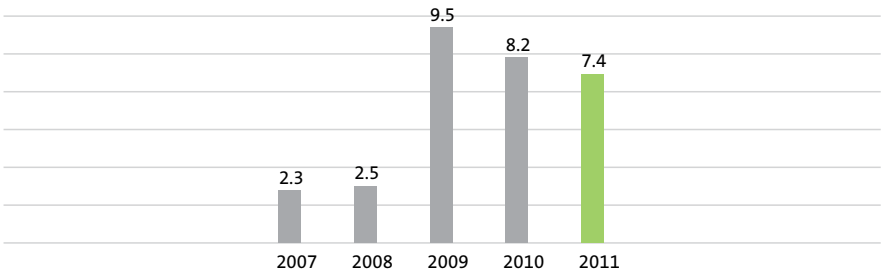
Electricity consumption was up slightly in 2011, but far less dramatically than sales. As a result, electric power consumption per €1 million in sales was down considerably.

Energy used, natural gas (MWh per €1 million in KRONES Group sales)



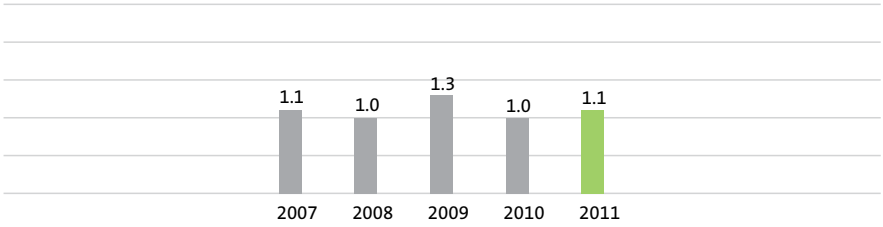
Natural gas consumption per €1 million in sales also declined, continuing a downward trend. The decrease in natural gas consumption resulted in part from our shift away from generating our own heat in-house towards purchasing heat energy.

District heating used (MWh per €1 million in KRONES Group sales)



Use of district heating increased slightly in the year under review, but consumption per €1 million in sales dropped from 8.2 MWh to 7.4 MWh.

Energy used, heating oil (MWh per €1 million in KRONES Group sales)



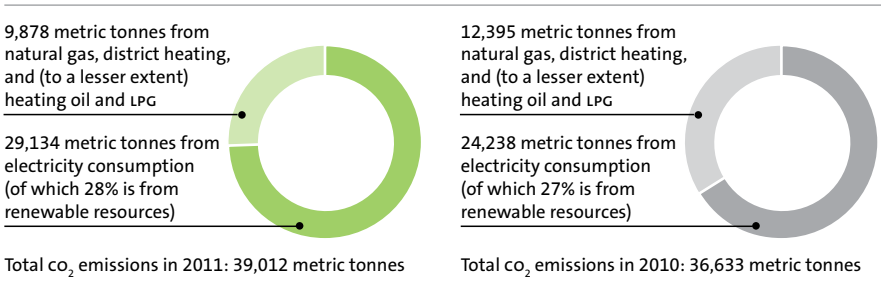
Heating oil now accounts for a very small portion of the group's total energy consumption. It increased slightly in 2011 to 1.1 MWh per €1 million in sales.

CO_2 emissions

KRONES calculated and published data on CO_2 emissions for the first time in 2009. The figure includes the emissions caused by consumption of electricity, natural gas, heating oil, and district heating at our five plants in Germany. We have made our calculations on the basis of statements from the electrical and district heating utilities and the Bavarian Environment Agency's tool for calculating emissions. This tool takes into account direct and indirect emissions. Direct emissions are the emissions that result at the site where the energy is converted. Indirect emissions take into account the upstream chain of energy production (for instance, the emissions related to the production of wood pellets).

Total CO2 emissions amounted to 39,012 metric tonnes during the reporting period, after 36,633 metric tonnes in the previous year. Of this, 29,134 metric tonnes (previous year: 24,238 metric tonnes) are related to electricity consumption. About 28% of the electricity used by KRONES was produced using renewable resources (previous year: 27%). This percentage was far higher than the German average of 20% in 2011. The remaining 9,878 metric tonnes of CO_2 emissions (previous year: 12,395 metric tonnes) relate primarily to natural gas and district heating and, to a far lesser extent, to heating oil and LPG.

KRONES Group CO_2 emissions – 2011 vs. 2010



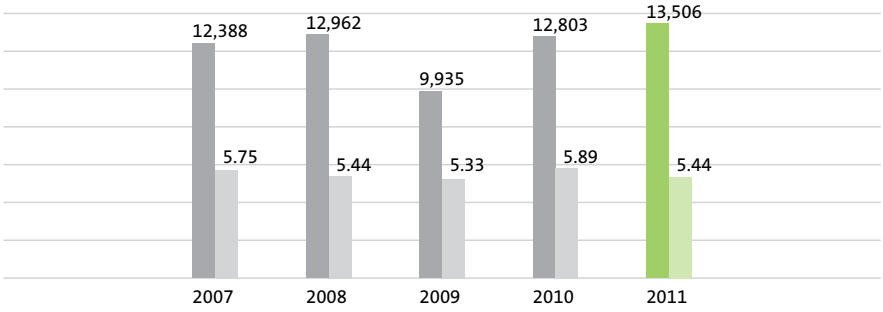
Waste management

We were able to improve our waste management during the reporting period. Although the total volume of waste generated increased 5.5%, that is far less than the increase in sales revenue (+14.1%). One reason waste generation increased less steeply than sales was that cleanup work had been carried out in 2010 that is only done every few years. As a result, the volume of waste generated per €1 million in sales at KRONES decreased from 5.89 metric tonnes to 5.44 metric tonnes, which is only slightly higher than in 2009, the lowest value achieved to date.

With enviro, KRONES is including its customers in its sustainability concept. But sustainability begins at home in our own plants. Our energy management system and intelligent building control systems are substantially reducing our electricity consumption.

Franz Zollner
Vice President Building and Building Engineering Services

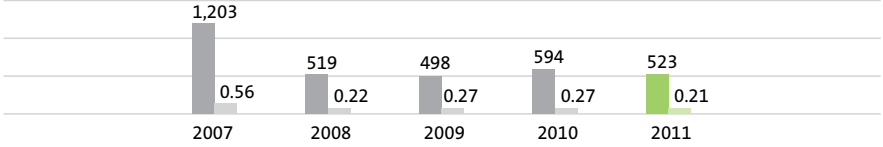
Total waste generated (metric tonnes and metric tonnes per €1 million in KRONES Group sales)



The volume of non-recoverable waste (that is, waste that must be disposed of) decreased to 523 metric tonnes in the year under review (previous year: 594 metric tonnes). At 0.21 metric tonnes, the volume of non-recoverable waste per €1 million in sales is therefore well below the year-earlier level (0.27 metric tonnes).

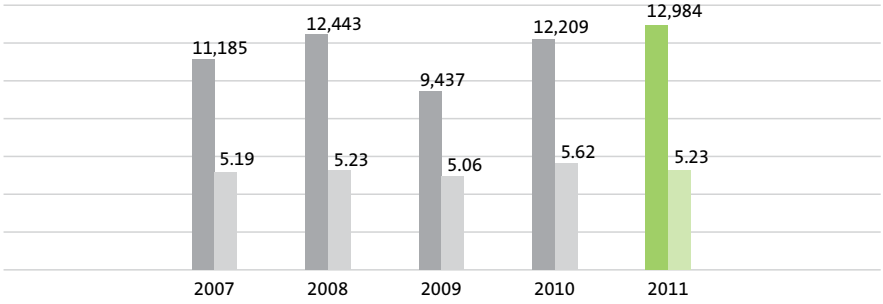
In 2011, only 523 metric tonnes of waste could not be recycled, just under four percent of the total volume of waste.

Nonrecoverable waste (metric tonnes and metric tonnes per €1 million in KRONES Group sales)



The volume of recyclable waste per €1 million in sales was down considerably from the high year-earlier level.

Recyclable waste (metric tonnes and metric tonnes per €1 million in KRONES Group sales)



The volume of recyclable waste generated at KRONES' production sites increased 6.3% in 2011. The reason for the increase is a further improvement in waste separation at KRONES, which allows more waste to be recycled rather than disposed of. Nevertheless, we were able to reduce the volume of recyclable waste generated per €1 million in sales from 5.62 metric tonnes to 5.23 metric tonnes.

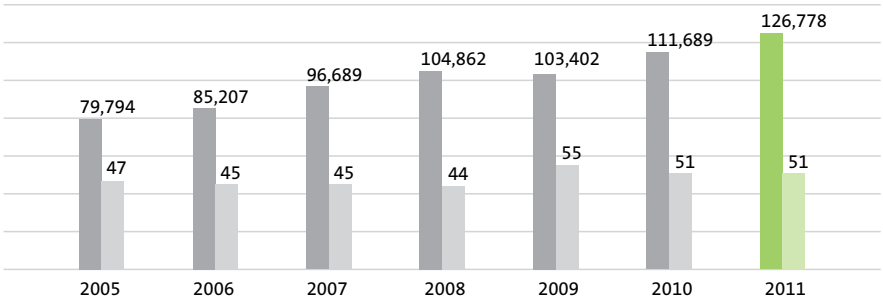
Water consumption increased less than sales

Water consumption increased 13.5% to 126,778 m³ in 2011 due to strong growth. This volume corresponds to the average annual water consumption of around 2,800 individuals in Germany. Water consumption in relation to sales was flat at 51 m³ per €1 million in sales. We are confident that we will be able to further reduce water consumption through targeted measures in the years ahead.

Depending on the source, waste water is treated in internal treatment plants prior to being channelled into the main sewer system. In 2011, as in years past, contaminant levels in the treated waste water were far below the legal limits for chromium, nickel, copper, and zinc.

System data and measurements are recorded in regular analyses as stipulated in the German Self-Monitoring Ordinance [Eigenüberwachungsverordnung]. Several external checks throughout the year confirm the results of our analyses. Of course, light liquid separators are used in the various systems prior to discharge of the treated waste water into the public sewer system. KRONES engages qualified specialists to dispose of boring and filing emulsions and cooling lubricants.

Water consumption (m³ and m³ per €1 million in KRONES Group sales)



In 2011, water consumption increased to 126,778 m³, which roughly corresponds to the annual consumption of around 2,800 people in Germany. The figure in relation to sales (per €1 million) was the same as in the previous year.

Emissions

To reduce particulate emissions and thus minimise our impact on the environment, we have implemented measures in our motor pool such as the use of diesel-powered cars with particulate filters. In addition, as of 2010, all pool vehicles now have CO_2 emissions of 120 g/km or less. Another way KRONES is cutting emissions is through a software-based ride sharing programme, which reduces the number of separate trips taken by employees between our sites. KRONES is also increasingly using video-conferencing for meetings, thus reducing the number of car and plane trips taken by staff and management.

Periodic emissions tests are carried out on the facilities for which such tests are prescribed under the German Act for the Protection against Harmful Environmental Effects Caused by Air Pollution, Noise, Vibration, and Similar Factors [Bundesimmissionsschutzgesetz], including the electroplating shop and the pickling plant. These facilities are in compliance with the mandated limits.

A detailed overview of our concrete environmental goals and actions for the current year and the implementation status of measures that have already been taken can be found in the »Goals and actions« section of this report on pages 94 to 97.

The phase-out of nuclear power poses a challenge. KRONES is meeting this challenge head-on and seizing the opportunity to further expand and advance our sustainability strategy.

Bertram Pretzl
Occupational health and safety and environmental protection

KRONES AG voluntarily undergoes a variety of audits on a regular basis. The certifications that we receive are proof that we are meeting the quality, safety, and sustainability standards we have set for our products.

Albert Bauer
Quality Assurance, IMS Officer

Through times of economic change, KRONES has stood tall. That is because the company reacts to these changes with flexibility. That has proven to be the right strategy in recent years.

Ralf Goldbrunner
Senior Vice President Production

With its energy management system, KRONES is on the right track to substantially and permanently reduce CO_2 emissions.

Thomas Arnold
Building and Energy Management System

Adam Bialek (left) joined KRONES' research and development team in February 2011. His work involves technical calculations and flow simulations.

Oliver Potempa (middle), who has been in the R&D department since October 2011, works on development projects for the labelling and inspection technology divisions.

Robert Scheibenpflug's (right) work in the mechanical development area of R&D spans from making initial hand-drawn sketches to creating the finished modules.

»Thesis-writing at KRONES is catching«, says Adam Bialek. »I wrote my bachelor's thesis here and went on to write my master's thesis here, too«. »It also makes you want to stay on at KRONES«, adds Oliver Potempa, who applied to work for KRONES after writing his thesis with the company. »My feelings about KRONES are unchanged since I my days as a trainee – I love the place«, says Robert Scheibenpflug.

The university offers many options for finding thesis topics. Why choose KRONES and how did you find a suitable thesis topic?

Robert: In my case, it was my years-long connection to the company. I did my vocational training at KRONES back in 2002 through 2005. Because my training went so well, I received the KRONES scholarship to go to university. As part of the scholarship programme, KRONES followed me throughout my university years. For me, there was no question that I wanted to write my bachelor's thesis here. And then, when the time came, I wrote my master's thesis here as well.

Oliver: I did an internship at KRONES when I was a student. At the time, I asked around about the possibility of writing my bachelor's thesis here. As I was approaching the end of my university

studies, my former group leader at KRONES offered me an interesting topic.

Adam: Throughout my university studies, I worked in several different departments with widely varying tasks – but always at different companies. It was my thesis advisor who first put me in touch with KRONES.

Do you see your thesis topics reflected in your current job at KRONES or are theory and practice far removed from each other?

Robert: My bachelor's thesis was on a design to which the first prototype has since been built. It was actually a redesign project in the area of labelling technology. So, I do encounter the results of my academic work. I hope that KRONES was able to benefit from my work.

Oliver: My thesis was on developing a new rinser clamp. It was design work – which is exactly what I am doing at KRONES now. My subsequent work has involved developing a testing stand for the rinser clamp. Now the clamp has to go through a long testing phase.

Adam: KRONES suggested my thesis topic. It was not necessarily directly related to mechanical engineering in a traditional sense but it was very exciting nonetheless. It was about high frequency field simulation, which is primarily an electrical engineering topic. It also has a strong link to physics. KRONES trained me to use special software for my work on the project. In all, I spent six months here working on my thesis.

Now, be completely honest: Were you already thinking about getting a permanent job with KRONES back when you were writing your papers?

Adam: I admit that it's hard not to. I got to know quite a few other companies during my studies but I didn't find the same positive, pleasant working environment anywhere else. I was impressed with the collegiality among co-workers and with KRONES' corporate philosophy from the very beginning. The support and cooperation I experienced during my project were great.

What's it like to be a student in a global company like KRONES? Do the regular staff take you seriously during your training or are you really just considered a gopher?

Adam: Well, I did have to go fetch the »liver cheese« sandwiches once. But I wanted to – it was for my going-away party when I had finished my thesis. I have very good, very pleasant memories of my time writing my thesis here.

Oliver: I already knew the company and my department from my internship. At the time, another student was writing his thesis in the same department. I was able to ask him all about his thesis and the process itself. Despite the tight deadlines in order processing – which is where I did my internship and my thesis – the people in the department always took the time to help me out with my internship project and then, later, with my thesis. They really took good care of me. Of course, when things got hectic, there was no time. But they were always able to make time at the start of the day, before the day's »busy-ness« began.

Robert: I had applied for a practical semester at KRONES, in R&D. I was pretty familiar with the structures from my vocational training but I still had to do an interview just like all of the other applicants. Right after my practical semester, I asked if it would be possible for me to write my bachelor's thesis in the same department. And it worked out. Same with my master's thesis. Of course, I also used that time here to network with people in the company. That was certainly helpful. But it works the other way around, too. The KRONES employees get to know the students who are writing their theses and get a good impression of their aptitudes and abilities. My bachelor's paper was on a design topic. My master's thesis was a feasibility study. Of course you're always in close communication with your advisor, but you are responsible for following through and doing the academic and scientific work yourself.

All three of you were permanently hired on to the R&D team in 2011 and now you are meeting the next batch of students who are writing their theses in your departments. What's it like, being on the other side?

Oliver: Just last week we got two new students in our department. Of course, you're interested in what they are working on and eager to help out by sharing tips and experiences. It is also an interesting experience to be advising thesis-writers.

What did you like most about KRONES back when you were writing your theses?

Adam: KRONES is one of the biggest and most appealing employers in the region. Especially for mechanical engineering students, the innovation that is happening here is a strong draw. As a graduate of the University of Applied Sciences in Regensburg, you have a company right at your doorstep that is a global leader in special-purpose machine construction and develops very appealing products.

Oliver: As I mentioned earlier, I was really impressed with the friendly atmosphere here. Apart from the topical relevance, that was what made me apply.

Robert: The whole situation is very attractive for students. KRONES is a healthy and very successful company. It's a promising opportunity for the long term.

What advice can you offer students who want to write their theses at KRONES?

Adam: You should be open to new things and not be too rigidly attached to a specific topic. It also helps to view the field in broader terms when looking for a suitable topic.

Oliver: It's easier to get started working on your thesis here if you have done an internship or something similar here during your studies. That way, you'll already know the company, its products and services, and its structures. And the people, of course. An internship is also a great way to show what you are capable of and get your foot in the door.

Robert, you've been with KRONES from the beginning – you did your vocational training, scholarship, practical semester, bachelor's thesis, and master's thesis at KRONES. Did you never want to see what it's like in another company?

Robert: I don't feel like I've missed out on anything and I certainly haven't felt a need to check out another company. And I don't expect that I will. You have to remember that I have worked in quite a few different departments and so I've had a pretty broad experience here. And you can always take up new projects. It never gets boring here.

What are your goals at KRONES?

Adam: My first goal is to really get settled in the company. To finally really put the knowledge I gained through my studies into practice full-time. I also want to keep learning in the department and in new fields, to ensure that I can really contribute to the KRONES success story.

Robert: My goal is, first, to truly work shoulder-to-shoulder with my colleagues. As part of my team, I will contribute the knowledge I have gained as well as new ideas.

Oliver: For starters, I want to just get some work experience. I'm eager to see what new and exciting projects await me at KRONES.

Respecting values in effective dialogue
Internationalising our human resources strategy

Andreas Horn, head of human resources and social affairs, on KRONES' human resources policy going forward

Mr. Horn, you took over as head of human resources and social affairs on 1 January 2012. What areas will be your focus?

To be sure, the future holds numerous challenges for KRONES and overcoming them will require some strategic realignment. But KRONES has been exceptionally successful in recent years and it therefore certainly makes sense to continue and maintain those aspects that have proven effective.

Going forward, qualified, motivated employees will continue to form the foundation of our company's long-term commercial success. For this reason, recruiting the best people for KRONES and creating conditions that foster our employees' motivation will remain one of the most important tasks for human resources.

But in order to remain successful worldwide – exports make up around 90% of our sales revenue – we must also sharpen our focus on international human resources management and increase the share of people employed outside Germany.

At present, our human resources management is very heavily concentrated on Neutraubling. We will have to decentralise and transfer more responsibility to our subsidiaries.

How do you intend to recruit qualified employees abroad?

We will step up the international component of our human resources marketing and have already found an experienced expert for the task. He will push ahead measures at our key locations abroad that are similar to those we have for years been using successfully here in Germany – for instance ensuring access to qualified people through close collaboration with local universities, cooperation with research institutions, and other country-specific measures. In markets that lack sufficiently qualified people, we will invest in establishing our own targeted career training programmes. We have already established the first such cooperative effort in China.

What other areas will you focus on?

Making working hours and labour costs more flexible will of course be one point of emphasis. In times of sharp fluctuations in demand, the company has to be agile in both directions. For this reason, we have introduced flextime accounts that can accommodate a surplus or deficit of up to 300 hours and we are employing temporary and contract workers as appropriate. Maximising the cost-effectiveness of our use and mix of resources is a priority for our department going forward.

At KRONES, as elsewhere, the average age of our workforce will rise in the years ahead.

Of course, this is an unavoidable trend. However, older employees are not necessarily less productive, especially if the company takes sensible measures to maintain their skill levels in good time. Providing continuing education and training for older employees, with qualification measures that are suited to individual learning types, is one important factor here. In order to ensure that our employees remain physically fit as they age, we have to establish measures that promote and maintain good health while employees are still young. Our outstanding in-house medical service and our company health insurance fund support these efforts.

Attractive employers help employees reconcile work and family. What are your plans in this area?

KRONES is already well positioned here. We learned a great deal during the 2009 crisis and benefited from our part-time work models even then. Part-time work and sabbaticals have since been embraced fully at KRONES. The extremely popular company-supported childcare facility, KROKI, and our summer childcare offerings for employees are making another valuable contribution to helping our employees strike a healthy work-life balance. As qualified personnel become increasingly scarce in the future, our promotion of a healthy work-life balance will play an increasingly important role in securing our reputation as an attractive employer.

Andreas Horn
Senior Vice President
Human Resources

Labour practices
Promoting qualifications and involvement

KRONES' human resources policy is directly derived from our overarching corporate strategy. For this reason, it is likewise focused on sustainability and deals with the questions that any international company must address.

- How can we promote and challenge our older employees?
- How can we maintain our employees' expertise and good health?
- How can we make working times and labour costs even more flexible?
- How can we recruit young people to work for KRONES?
- How can we make our human resources policy even more international?

KRONES responds to these challenges with a variety of measures and offerings, which are described in detail on the following pages.

Our competence management programme promotes lifelong learning and knowledge exchange. In this way, we are able to leverage the knowledge and expertise of veteran employees and maintain the high standards that characterise KRONES.

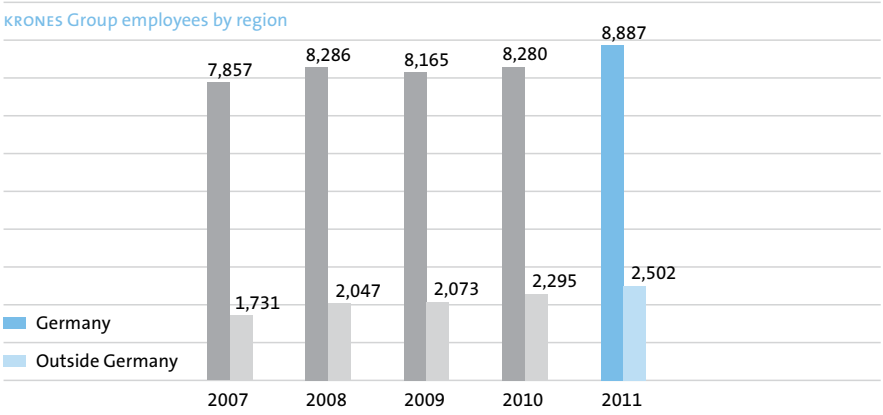
Doris Pechler
Human Resources Development

More than 800 new employees at KRONES

KRONES invested heavily in expanding its core workforce in 2011. KRONES' team worldwide grew to 11,389-strong, the biggest it has ever been, during the reporting period (previous year: 10,575). This investment in highly skilled employees was necessary in order to support the growth planned under the »Value« strategy programme. We expanded our capacities both in Germany and abroad, bringing the percentage of workers outside Germany up from 21.7% to 22.0%. This share will continue to grow in the years ahead since making our workforce more international is one of the strategic aims of our human resources policy (see interview on page 66). In addition, KRONES will continue to invest heavily in recruiting as well as in training and continuing education for employees in order to promote and maintain a high level of motivation.

For reasons relating to data collection, the following statements and figures on »labour practices« – with the exception of the number of employees within the group – relate to our workforce in Germany only.

KRONES Group employees by region



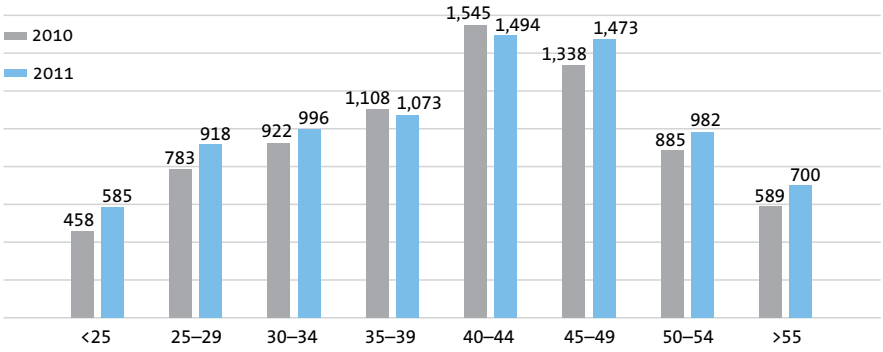
Our workforce grew in Germany and abroad. The total number of employees within the group reached a record high of 11,389 (previous year: 10,575).

KRONES employees are highly qualified

Demographic change in the industrialised countries of the West presents one of KRONES' greatest challenges with respect to human resources policy. For this reason, one of our most important tasks is to ensure a lasting supply of qualified young recruits and to further improve our existing employees' qualifications – even our older employees'. With well over 10,000 job applications received in 2011 alone, KRONES remains a popular, reputable employer. Our goal is to further build and enhance KRONES' international employer branding in the years ahead.

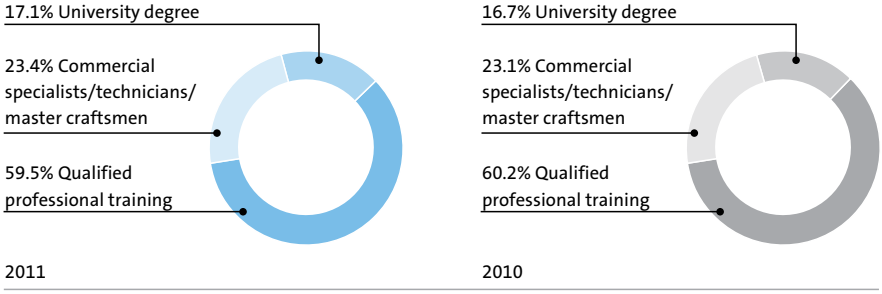
KRONES AG job applicants and new hires

Age structure at KRONES AG in 2011



A look at our employees' qualifications shows that our people are optimally prepared to handle the challenging tasks their work involves. Almost all of our employees in Germany possess recognised professional or vocational qualifications. The portion of university graduates in our workforce is now 17.1%. Commercial specialists, technicians, and master craftsmen make up nearly one-quarter of our workforce.

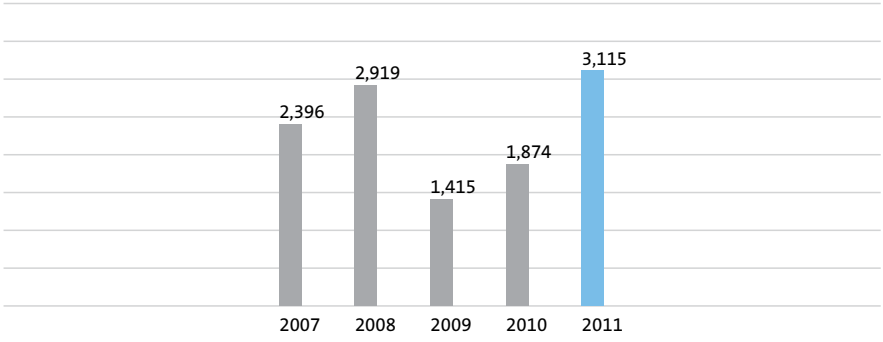
Employee qualifications in Germany



Human resources development and continuing education

Personal and professional development is an important key to maintaining our company's competitiveness and innovative power and safeguarding jobs. Our HR department organises regular continuing education opportunities for our employees. In addition to qualification measures relating to specific fields, we also offer interdisciplinary and intercultural training opportunities.

Spending on external continuing education and training at KRONES AG (€ thousand)



Spending on external continuing education and advanced training for our employees was up dramatically in 2011.

KRONES increased spending on external continuing education and advanced training opportunities for our employees from €1.9 million in 2010 to €3.1 million in 2011. Employees can find out about some 450 of the training and development courses offered by KRONES through our SAP training portal. As an alternative to in-class training courses, KRONES also offers e-learning opportunities, enabling employees to take a variety of courses online on a more flexible schedule. All told, some 19,700 (previous year: 14,500) participants took advantage of internal (11,800) and external (7,900) training and development opportunities in 2011.

A key HR development goal in the year under review was to establish more courses that are tailored to specific target groups. Our focus here was on seminars dealing with various aspects of customer orientation. For example, almost all relevant employee groups completed the »value-oriented sales« series in 2011.

For our employees outside Germany, the focus of course offerings was on technical training for sales staff and on seminars relating to project management within the KRONES Group.

Further expanding our competence management was another important aspect of HR development in 2011. In annual review meetings, employees and their managers discuss strengths and areas for further development. The employees do a self-evaluation and also receive feedback from their supervisor. They work out suitable development measures in dialogue with their manager or supervisor. These measures may include seminars and conferences or projects with universities or purposeful exchanges with co-workers.

Development reviews were conducted with nearly 4,000 employees (previous year: around 3,000) as part of our competence management efforts in 2011. We intend to achieve our goal of some 4,400 reviews by the end of 2012. For our production staff involved in group work, we introduced a special procedure to support group work in 2011 on a pilot basis.

Under our company agreement, KRONES also offers employees opportunities for their own personal and professional development. Employees can complete almost all continuing education opportunities that are relevant to the company on either a full-time or a part-time basis. They can also apply for financial assistance to cover the cost of part-time continuing education and for educational and professional development leave. For full-time continuing education opportunities, employees can apply for an unpaid sabbatical or a commitment to rehire. There are a limited number of approvals available for these options.

For all qualification measures, we try to involve our employees in the creation of employee development tools.

Today's managers have two important tasks: to manage and to lead, in an increasingly complex environment. Utilising difference and diversity to benefit individuals as well as the group as a whole plays an important role. Our big challenge is to put the concepts of diversity management into practice in light of various factors such as internationalisation, demographic change, and the shortage of skilled workers.

Karin Nikola
Operational HR Management

International leadership training

Because our workforce is made up of more than 11,000 people from over 50 different countries, establishing a uniform management culture worldwide is an important task. To this end, we use a modular training concept for employees with management duties. External coaches provide training and guidance to help management employees from various departments augment their leadership skills. Over a total of nine days, the modules impart tools such as goal-setting, conflict resolution, and argumentation techniques using case studies and role plays with practical relevance.

By including our managers from outside Germany in the management training system, KRONES intends to establish a uniform, modern understanding of management within the entire group. Ten groups have completed the international management training since the programme's launch in 2009. In 2011 we further expanded the programme to include more lower-level managers in some countries.

All told, 58 KRONES employees completed a management training seminar in 2011. The 89th group began management training at the end of 2011. Each group usually has around nine participants, bringing the total number of managers who have attended the seminar to around 760.

Diversity management – an important part of HR policy

Because KRONES is an international group of companies and employs people from many different countries, we have made employee diversity an important aspect of our personnel strategy. Diversity management at KRONES is not merely about implementing laws. It is about putting the personal and cultural diversity of our workforce to work within the company.

Within our diversity management concept, we strive to promote the potential of heterogeneous groups while at the same time preventing potential conflicts. This concept improves information exchange and increases performance, cohesion within the team, employee motivation, and work quality. Experience has shown that mixed teams are often more innovative and creative when it comes to problem-solving than homogeneous groups. That is one more reason why KRONES further increased the share of employees outside Germany in 2011 and has made further expansion abroad a target for the future (see page 66).

In our Moscow office, we do everything we can to demonstrate to our customers that KRONES is the best company in the Russian beverage market. And we are successful because we simply love working for KRONES.

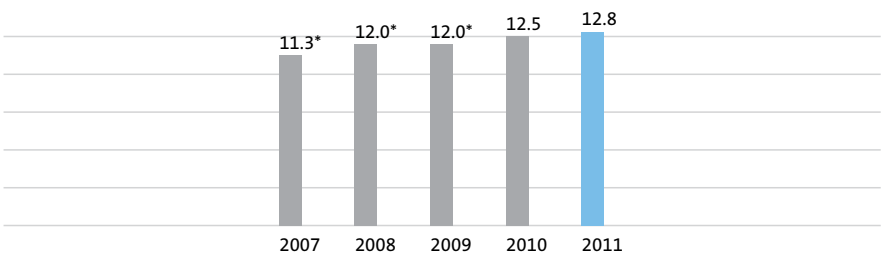
Fomina Nadeshda
Managing Director KRONES Russia

Steady increase of women in our workforce

The share of women in our workforce has also grown steadily over the past several years. For years, women have made up more than 10% of our workforce in Germany – a good number in the machinery industry. In 2011, the share of women in our workforce rose to 12.8%. The comparable figure for the previous year was 12.5%. Women held 4.7% of the managerial positions within the company in 2011, compared with 3.9% the previous year.

We are also very pleased to have a woman contributing her extensive knowledge to our Supervisory Board since the annual shareholders' meeting in June 2011. Petra Schadeberg-Herrmann, who holds a degree in business administration, is managing partner at the Krombacher Brewery Group's holding company and of several subsidiaries as well as of the family office in Kreuztal-Krombach, Germany.

Women at KRONES AG (%)*



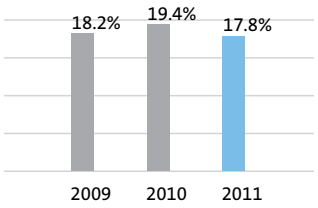
The share of women in our workforce increased slightly in 2011. At 12.8% it is quite high for the machinery sector.

** Prior year figures adjusted because trainees are no longer included in the calculation.*

Fostering interest in technology among young women

To increase the share of women in our workforce for the long term, KRONES actively endeavours to promote interest in technical careers among young women. Our »Girls Day« event for girls ages 10 to 15, which was held in Neutraubling in April 2011, was a big hit. Ninety girls from different schools in the area showed an interest in a variety of metal-working and electrical engineering careers. KRONES trainees got to play the role of trainers at the event. They led participants through the plant, explaining equipment and fielding questions. Of course, the girls also had hands-on opportunities to explore grinding, boring, milling, turning, and soldering. At the end of the day, they got to take home their handmade pieces, such as candlesticks and key chains, as souvenirs.

Women training at KRONES AG



Our »Research Camp for Girls« was also a great success. In November, 15 young girls from schools across Bavaria came to spend a week as »engineers« at KRONES. KRONES hosts the camp in collaboration with the University of Applied Sciences in Regensburg to give girls first-hand experience with technical fields. Young women who are working as engineers or completing a dual course of study at KRONES conducted experiments with the 15 to 19-year-old camp participants on a very current topic: energy efficient heating and drying of PET flakes.

Employees with an international outlook and training are becoming increasingly important for KRONES. Transparent processes and an appreciative corporate culture make it possible for us to work with customers and colleagues in a network that goes beyond borders.

Katja Kollasser
International HR Management

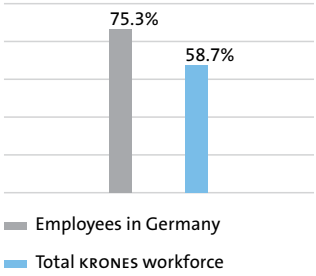
Fair partnership with employees

KRONES aims to foster a lasting, fair, and fruitful partnership with our employees. The core elements of this approach are established in our mission statement and code of conduct (see page 30). KRONES employees enjoy freedom of association worldwide. In addition, KRONES observes all relevant laws and regulations aimed at protecting workers. The Works Council regularly reviews, on site, whether the applicable laws and KRONES' own guidelines are being adhered to with respect to the working conditions at our offices and sites abroad, even in the emerging markets.

KRONES views open, trust-based dialogue, even in difficult situations, as a key to a successful working relationship with all employees. We pay particular attention to ensuring proactive, comprehensive exchange of information within the company. To this end, KRONES works closely with employee representatives. In the plants and offices in Germany, there are clear rules governing and ensuring codetermination. Employee representatives make up half of the Supervisory Board. In addition, the Works Council represents the collective interests of employees. The Works Council and the Executive Board negotiate reasonable solutions for day-to-day working life. The results of these negotiations often go above and beyond the requirements set forth by the law or collective bargaining contracts. Examples include our employee benefits, salaries, and flexible working hours.

At KRONES, all employees whose pay is determined by collective agreement (blue-collar and white-collar alike) are paid on the basis of a common general pay agreement (ERA). In addition, as in 2010, KRONES employees who are covered by collective agreements were once again given a share in the company's profits in 2011. All employees covered by collective agreements now earn a share in KRONES AG's profits in accordance with a scheme that applies equally to all. The relevant profit figures are determined each year by the Executive Board and the Supervisory Board at the turn of the year as part of the group's annual planning for the upcoming calendar year. The additional pay above and beyond that stipulated by the collective agreement can equal as much as 60% of one month's pay. In general, KRONES adheres to the applicable collective agreements and often goes above and beyond them.

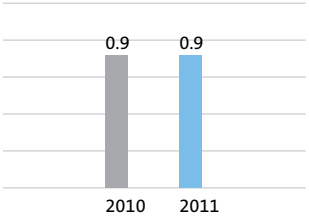
Employees covered by collective bargaining contracts



KRONES AG has made a commitment to use only temporary work agencies that are members of one of Germany's associations of temporary employment agencies (BZA and IGZ) and therefore subject to and adhere to the collective agreements for temporary workers signed by these associations and the individual trade unions that are affiliated to the Confederation of German Trade Unions (DGB). Each year, KRONES permanently hires a significant number of its temporary workers.

Employee satisfaction at KRONES is reflected in our low employee turnover rate. At 0.9%, it was extremely low compared with industry peers once again in 2011. This continuity benefits KRONES and all of our business partners.

Employee turnover at KRONES AG (%, based on the number of employees who quit)



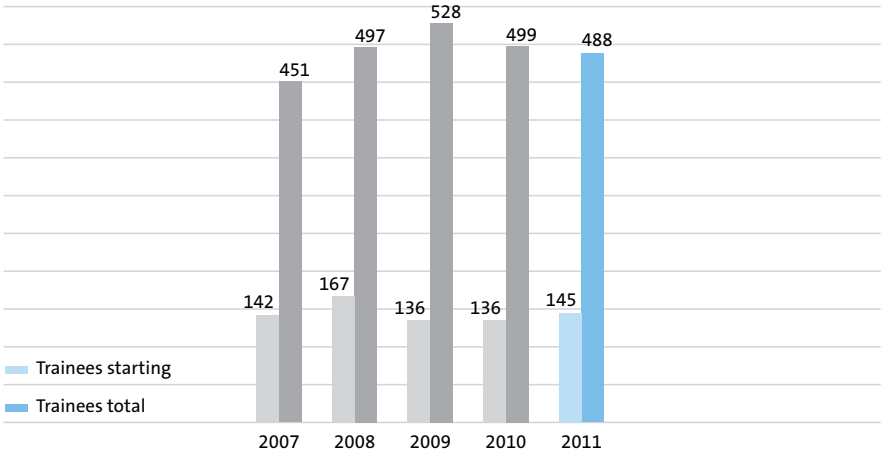
KRONES grows its own talent

KRONES has traditionally offered a strong in-house training programme as part of its efforts to recruit qualified young talent. The company provides attractive options for motivated young people who begin their careers with KRONES through vocational training, internships, or graduate theses.

Good training is the key to future success

Our employees' well-grounded professional training is the foundation for KRONES' long-term commercial success. KRONES offers attractive, challenging training opportunities to a large number of young people in 20 different fields every year. We invest around €70,000 in each of our young trainees. But we also hold our recruits to high standards. Although the number of school graduates applying for a training opportunity at KRONES declined from 1,700 in 2010 to 1,500 in 2011, the quality of applications remained high. After a long and rigorous selection process, 145 young people began their training with KRONES in the fall of 2011. Approximately one-third of these trainees have a qualified school leaving certificate from a lower secondary school (Hauptschulabschluss), around 50% have a school leaving certificate from a mid-level secondary school (Mittlere Reife), and the rest have the university entrance qualification (Abitur).

Total number of trainees and trainees starting at KRONES AG



In all, KRONES AG was training 488 young people in Germany at the end of 2011. Of these, 429 were in industrial and technical fields and 59 were in commercial fields. At 5.6%, our training rate was down compared to the previous year's 6.2% because we expanded our core workforce in the year under review.

We permanently hired all trainees who successfully completed their training in 2011 (52 in the winter and 98 in the summer). KRONES is especially proud that around two-thirds of all examinees received a top grade. In some fields, the entire graduat-

ing class earned perfect marks. KRONES honours the best of each class of trainees with a scholarship for subsequent university studies. In 2011, five young people were awarded KRONES scholarships.

I am proud to work for KRONES because KRONES values my work and it shows.

Zian Redouane
Technical service, Portugal

KRONES promotes international training

In addition to the content prescribed by the respective training programmes, KRONES aims to give its trainees additional qualifications such as English language skills, presentation techniques, and international experience through stays in our subsidiaries. In 2011, ten KRONES mechatronics trainees in their third year spent three weeks in England to enhance their language skills and gain international work experience as part of the EU's »Leonardo da Vinci« project. The trainees are interning at different companies. KRONES supported these trainees' sense of adventure, providing language courses and intercultural training in advance of their stay abroad. After their return, the young KRONES employees received the »Europass Mobility« as documentation of the knowledge and skills acquired abroad. There are plans in place for 40 KRONES mechatronics trainees to participate in this special EU programme by the end of 2012.

To further promote internationalism within our training organisation, our goal for 2012 is to have our commercial trainees take the exam for certification as a bilingual secretary for English. In preparation for the exam, the young people are receiving after-school instruction in English twice weekly.

KRONES offers university studies in China

KRONES is forging new paths to recruit highly qualified young people abroad. For instance, 83 students at the Brewing University in Wuhan, China, have been enrolled in KRONES' mechatronics degree programme since September 2011. KRONES' aim with the programme is to train its own service technicians for Asia. Students come not only from China but also from other countries across Asia, such as Mongolia, Singapore, Thailand, and Vietnam. The first two semesters of the KRONES course in Wuhan follow the Chinese curriculum. The third through sixth semesters then concentrate on KRONES-specific content. The programme also includes six months of internships at breweries and bottling operations in China. The final examinations are comparable to those completed by mechatronics technicians in Germany. After completing the programme, graduates with the corresponding aptitude can begin working for KRONES at our local customers' plants.

KRONES is recruiting qualified young people abroad. To this end, the company is now offering its own course of study in China.

KRONES is building a bigger training centre

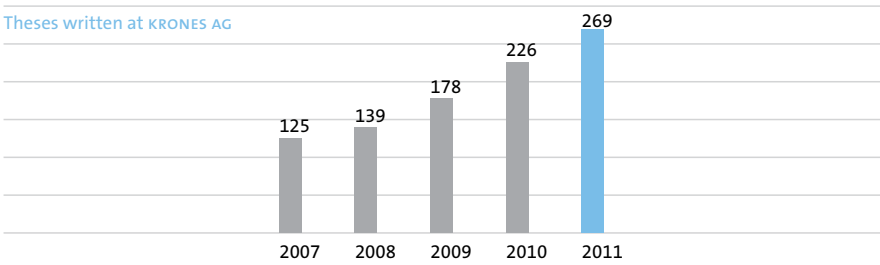
KRONES began construction on a larger training centre in September 2011. The company expanded its training space by about one-third. The 1,400 m² centre provides a bright, friendly atmosphere for our trainees to work in. Since the new building also includes our service technician training centre and the KRONES Academy, the end result is a sort of training campus that benefits all of our young recruits.

The importance we attach to our trainees is reflected in the fact that our employee magazine »inside KRONES« has regularly devoted an entire two-page spread to the topic of training and trainees since the second half of 2011.

Close collaboration with colleges and universities

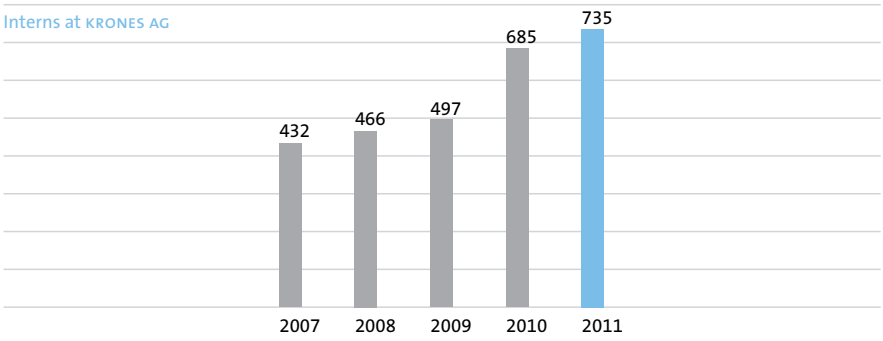
For years, KRONES has been working closely with universities to ensure early contact with university graduates. KRONES organises a range of events at which budding engineers and scholars can learn about the careers and opportunities we offer. In addition to participating in job fairs at universities and colleges, KRONES uses plant tours, collaborative projects with academic departments, presentations, and visits to customer plants to expose students to the company and the diverse range of careers we offer. Because KRONES has an excellent reputation among university students, these events are very well attended.

KRONES has interesting products and a reputation among universities as a good employer.



Our close, long-standing collaboration with the University of Applied Sciences in Regensburg and the University of Regensburg is another example of our cooperation with educational institutions. Through this programme, KRONES gives numerous young scientists a chance to gain valuable hands-on experience through practical semesters and thesis-writing opportunities (see interview on pages 62–65).

In 2011, we advised 269 students writing theses and 735 interns on a variety of projects with practical relevance. KRONES gains a large number of highly qualified employees from this pool each year.



Well-trained employees are crucial to securing a company's success. Enabling our commercial trainees to earn the bilingual language secretary certificate for English in addition to their primary vocational credential, is one more way in which we are further ensuring a high level of qualification among our employees.

Michaela Sperl
Department Manager Training

Innovative professional training options

KRONES offers dual courses of study in collaboration with several universities. This educational model combines the practical aspect of vocational training with the academic expertise gained through university studies. KRONES offers dual courses of study for electrical engineering, information technology, process engineering, environmental engineering, mechanical engineering, industrial engineering, and computer science. After 4.5 years, graduates have two degrees in their pockets: a completed vocational training certificate and the »Bachelor of Engineering« or »Bachelor of Science« academic title.

Another innovative professional training option offered at KRONES is entitled »Profil 21«. This career programme is designed specifically for our service technicians and is KRONES' response to the scarcity of skilled people in this area. In 4.5 years, young people earn a vocational training certificate as well as the »state certified technician« title. Upon completing the programme, the participants are not only ideally prepared to handle the demands of KRONES' service business. They also have an excellent foundation on which to build a career full of interesting development opportunities.

Getting kids interested in KRONES

More than one thousand teens and their parents visited KRONES' plants in Neutraubling, Nittenau, and Rosenheim at the end of July 2011 for »Training Day«. There, they gained information as well as a first-hand look into the 20 different careers KRONES offers in commercial, industrial, and technical fields. They had an opportunity to talk about the programmes with current trainees and their trainers in the different divisions. Talking with peers made for a relaxed atmosphere and reduced the young people's natural inhibitions. On average, each of the presentations on dual courses of study, Profil 21, and other training options was attended by 100 people.

KRONES is making space for ideas

To better leverage our employees' knowledge and ideas, KRONES launched »Brainpool« in the second half of 2011. The platform is available to all employees to submit ideas or improvement suggestions and to track the status of their suggestions directly online via our intranet. KRONES' Brainpool consists of three parts: Competition, Invention, and Improvement. The latter merges the existing continuous improvement process with our employee suggestion system. The Brainpool Invention went live in early 2012 while the Brainpool Competition will follow in 2012 (see interview on pages 34 and 35 for details).

The improvement management programme at KRONES resulted in savings of €2.27 million in 2011 (previous year: €2.9 million). These savings stemmed from the many thoughtful and creative ideas submitted by our employees on important topics such as process optimisation, quality, environmental protection, and occupational safety.

- The average participation rate was above 16%
- More than 4,200 suggestions were submitted
- Of those, almost 2,300 were implemented in the reporting period

The »idea of the year 2011« came from an employee at our Nittenau plant. His suggestion related to an improvement on a component that resulted in manufacturing cost savings of around 90%. The implemented idea is saving KRONES more than €65,000 annually.

Social concerns are taken very seriously at KRONES. Employees always come first, in all of the subsidiaries around the world. That's not always the case in other companies, particularly in Mexico. For this reason, I am especially proud to be part of KRONES.

Enrique Ortiz
KRONES Mexico

KRONES has a sustainable, employee-friendly HR policy. Preserving and promoting the health and safety of our workforce are among our company's established goals. In order to prevent workplace accidents and work-related illness, all of our workflows are designed with the safety and health of our employees in mind. We also offer a variety of options to help our employees stay physically and mentally fit and help them strike a healthy work-life balance.

In close cooperation with our employees, our managerial staff work out and agree concrete goals and actions for ensuring that all workplaces and workflows protect safety and health. Comprehensive checks as well as the occupational safety management system introduced as part of the IMS certification under BS OHSAS 18001 and OHRIS (Occupational Health and Risk Management System) ensure implementation of the resulting measures and compliance with safety rules.

We are committed to complying unconditionally with Germany's Occupational Health and Safety Act (Arb-SchG) and the Works Council Constitution Act (BetrVG). Other licensing, regulatory, and statutory requirements are also followed at all KRONES sites. As far as technically feasible and economically reasonable, we go above and beyond the minimum requirements of the law, implementing our own policies to further increase safety.

Working in the new sales office in India, I encounter new challenges daily with our diverse customers. KRONES is not only a dependable partner but also an environmentally responsible company. As an employee, I appreciate that.

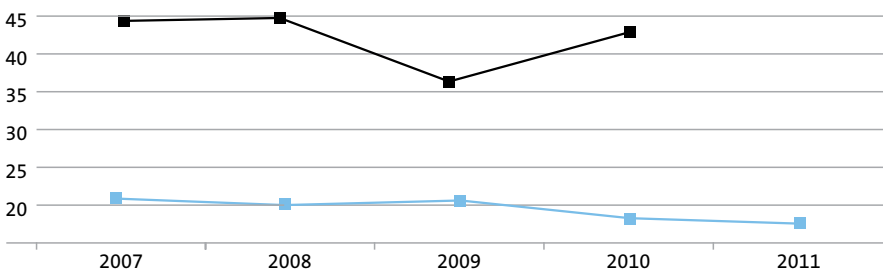
Bharat Prakash
KRONES India

Intensive training

Accident prevention and improved occupational health for employees are among the topmost objectives of our occupational safety and health programme. For this reason, training on occupational safety and health is an integral part of our continuing education programme in Germany. At the beginning of 2011, we introduced a new training concept for occupational safety and health which helps managers and supervisors instruct their employees in a way that is methodologically sound and ensures correct content. The programme provides managers and supervisors with information on 26 specialised topics such as construction site safety, travel safety, working in confined spaces, and working at height and puts them in contact with a safety expert.

The more than 600 KRONES employees who work at construction sites around the world are advised by a dedicated safety engineer, who visits the construction sites to observe occupational safety standards at work and ensure occupational safety. Our external contractors' employees are also closely integrated into our training programmes and informed about KRONES' work safety rules. In all, some 100 training courses were conducted in 2011, of which around 25% were specialist seminars or workshops offered by external training institutions. Our in-house occupational safety and health specialists conducted some 30 courses for employees and 40 courses for managers and supervisors.

Reportable work-related accidents per 1,000 employees (>3 days lost time) at KRONES AG



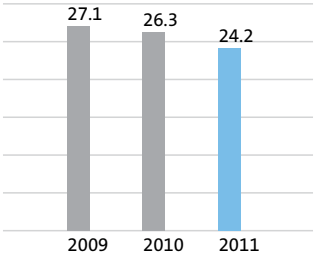
KRONES AG ■ BGHM (Berufgenossenschaft Holz und Metall – employers' liability insurance association for wood and metal workers)

The number of work-related accidents per 1,000 employees at KRONES is far below the industry average. The figure declined from 18.0 to 16.2 in 2011.

Fewer work-related accidents once again

The number of reportable work-related accidents has been declining steadily for years – proof that our efforts in the area of occupational safety are paying off. At 16.2 (previous year: 18.0), KRONES' figure for reportable work-related accidents per 1,000 employees (> 3 days lost time) was once again down year-on-year and far better than the industry average (see chart). KRONES began reporting work-related accidents that result in as little as one day of lost time at its German plants in 2008. In 2011, this figure was 24.2 per 1,000 employees (previous year: 26.3).

Work-related accidents at KRONES resulting in one or more days of lost time per 1,000 employees



Although the trend is moving in the right direction and although the figures are good by comparison, KRONES is not satisfied. Every work-related accident is one too many. Our aim continues to be to further reduce the number of work-related accidents through training, intensive hazard assessment, and precise accident analysis. The accident analysis is a collaborative investigation performed by the injured worker's supervisor and the company's occupational health and safety expert. In addition to direct, obvious causes, this team will seek to uncover other issues such as shortcomings in the process organisation or risk awareness. To further improve our standards here, we added personnel to our central security management team in 2011.

Emergency management

To ensure that we are prepared to act quickly when sudden emergencies arise, KRONES has in place a crisis management system that defines key responsibilities and procedures in a crisis situation. Emergency teams are an important part of this system and have been formed at all KRONES AG production sites to be available on site quickly. The teams are made up primarily of voluntary first responders, safety officers, fire safety assistants, and plant security personnel. The emergency response team in Neutraubling went through four training workshops and is now an integral part of our emergency response organisation. The team responded to 71 emergencies, successfully limiting the resulting damage.

KRONES has emergency response teams at all of its production sites in Germany. The teams consist of voluntary first responders, safety officers, fire safety assistants, and plant security personnel.

In May 2011, KRONES held fire safety days at all of its German plants for the first time, providing training for some 500 managers and supervisors, members of the emergency response team, fire safety assistants, and safety officers. The event's primary aim was to ensure that these safety personnel know how they can best help evacuate employees.

The training course has already proven useful. When a fire broke out in one of the company's buildings in Neutraubling in March 2011, it took personnel only two minutes to evacuate the entire complex.

The importance that KRONES attaches to safety is evident in the number of safety officers we employ throughout Germany. With 121, we exceed the legal requirement by 57%. At 961 employees, the number of emergency first responders on hand at KRONES facilities also exceeds the minimum requirements of the law by a solid 50%.

Occupational safety is an important factor in my day-to-day work. Thanks to the variety and regularity of training and development courses, I am very well prepared for my daily work. That reassures not only me but also my family.

Wang Fan
1st level support, China

KRONES' in-house medical service keeps employees fit for service around the world

Given the demographic trends, we want to maintain and improve our employees' health and productivity. Our high-quality in-house medical service is an important tool here, caring for employees at all KRONES sites in Germany. In October 2011, we added a second full-time physician. The medical staff identifies health deficits early through regular screenings and physical fitness checkups and helps employees remedy them. For example, our in-house medical service provides preventive checkups and courses on topics including back health, relaxation techniques, stress management, nutrition, and fitness in collaboration with our company health insurance fund. The in-house medical service also helps with rehabilitation and reintegration.

The service also helps employees prepare for assignments abroad, providing information about various local diseases and important vaccinations. KRONES has physicians with thorough knowledge of tropical medicine on staff to check employees' fitness for service in the tropics. KRONES employees who are preparing for personal vacations can also get the vaccinations they need.

Another important topic is medical preparation for projects abroad. The in-house medical service offers the following:

- Fitness screenings and preventive care for employees
- Emergency kits for construction sites
- Organisation of medical care on site
- Training for project and site managers (first aid/emergency response)

KRONES' aim is to establish a global health management system to ensure high-quality medical care for our employees working around the world.

Professional health and social counselling

But promoting the health and well-being of our employees is not only the job of the in-house medical service. It is the responsibility of the entire company. Only healthy employees are able to perform at their best. That is why KRONES is establishing a professional health management service in an effort to reduce health-related absenteeism. The goal is to better identify and remedy the causes of health-related absences among our highly qualified employees.

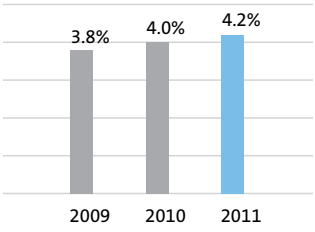
We view health-oriented management as a shared responsibility of our managers and our human resources management. Talks that focus on health topics play an important role in determining the causes of absences and appropriate remedial actions.

In cooperation with the Works Council, the disabled employees' representative, the counselling service, and the in-house medical service, the results of such talks are analysed and translated into suitable preventive measures. The number of disabled employees at KRONES reflects the success of our integration efforts. At 5.7%, the share of disabled employees at KRONES was well above the statutory requirement in 2011.

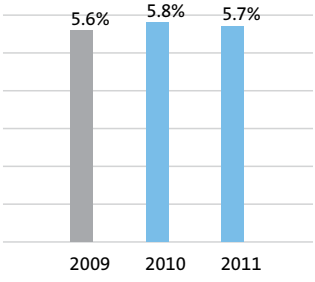
KRONES has held health fairs at its German plants since 2010 to inform employees about the various aspects of promoting good health.

One health fair was held in the year under review. Among the offerings was an informational event for managers and supervisors on the topic of burnout syndrome. A number of lectures instructed participants in detail about the many and varied signs and symptoms of burnout. Similar events at other KRONES plants are planned for 2012. In addition, KRONES launched a pilot project in 2011 offering an external hotline for stress and burnout problems that is available to all employees free of charge.

Absenteeism at KRONES AG



Disabled employees at KRONES AG



The KRONES health fair, with a focus on burnout syndrome, was a big success. In 2011, the company introduced a burnout hotline that is manned by external specialists.

Social counselling – because it's all about people

Our company's social counselling service helps with problems relating to employees' life and work situations. The basic principle of our social counselling service is that the services are not directed only towards specific, at-risk employees or those in particularly serious difficulties but rather towards all of the company's employees. As a rule, we offer individual counselling for employees dealing with crisis situations, debt, illness, conflicts at work, personal and family issues, mobbing, addiction, and stress-related problems. Our counselling service also offers roundtable discussions and contributes to training courses. In addition, the counselling service advises managers and supervisors as well as HR managers when problems arise (leadership support).

In addition, KRONES relies on active in-company integration management to assist employees who are no longer able to perform their original jobs for health reasons. KRONES' counselling service coordinates an integration team (Works Council, counselling service, HR department, disabled employees' representative) in adapting work stations, preparing for the employee's return to work, and providing ongoing, long-term support to the employee.

Returning to work after illness – we need to retain valuable employees

The story of Michael Hohmann at our Rosenheim plant is an example of KRONES' in-company integration management at work. Mr. Hohmann is one of the first KRONES employees for whom a complete workstation was installed in his own home. The reason: The 37-year-old software programmer developed a disorder of the eye muscles and has had difficulty working at the computer ever since. Horizontal eye movements in particular quickly resulted in headaches, dizziness, and fatigue. For this reason, Mr. Hohmann now works at a 37-inch screen that stands approximately two metres away from where he sits. He still has to take breaks after one or two hours of work to avoid overexerting his eyes. He does approximately 80% of his work from home. He comes in to the plant on a regular basis for meetings. His position is scheduled as a regular job, but his tasks are selected in such a way that he does not need to travel. KRONES has gone to great lengths and successfully retained a valuable, experienced employee.

The in-company integration management programme for employees dealing with health issues is an important part of social counselling at KRONES.

KRONES offers attractive health benefits

The company health insurance fund, BKK KRONES, also offers employees attractive additional benefits. For instance, the GesundPlus card gives BKK members priority treatment from members of the Regensburg Ärztenetz medical network, which includes more than 220 general practitioners and specialists. That saves time and speeds healing. Free health checkups for BKK members aged 35 and older are another special benefit. A particular aim of the checkups is early detection of cardiovascular disease, kidney disease, and diabetes. All that members have to do is take the time for the doctor visit every two years and present their BKK insurance card.

The welfare fund Hermann-Kronseder-Unterstützungskasse e.V. provides additional health-related support for KRONES employees. Employees may receive benefits of up to €600 per year above and beyond the payouts from the health insurance fund. This fund kicks in, for example, when sick pay has been exhausted or has expired, for hospital stays or rest cures, or for dentures, eyeglasses or contact lenses, or hearing aids. In 2011, the fund paid out around €180,000 to employees.

Another important element of health management at KRONES is the company sports club, which offers a variety of sports such as football (soccer), tennis, shuffleboard, running, and badminton. The teams are quite successful – »BSG KRONES« has already won numerous championships in the local company and public agency league (Regensburger Firmen- und Behördensportliga) – thanks to the enormous volunteer effort on the part of KRONES employees. But this involvement is certainly worthwhile. Apart from the health benefits, sports also give co-workers an opportunity to get together other outside the workplace environment and promote teamwork and cohesion. The company sports club, which celebrated its 25th anniversary in 2011, is thus a vital element of the vibrant corporate culture at KRONES.

Balancing career and family – KRONES offers many options

The company promotes part-time work and flexible working times to help employees reconcile work and family commitments. The aim is to increase employee satisfaction and motivation and enhance the company's attractiveness to our highly qualified workforce. KRONES encourages fathers to take parental leave after the birth of a child. Of the 284 employees who started parental leave in 2011, almost two-thirds were fathers.

With flexible working hours, KRONES gives employees considerable freedom to structure their working hours. Employees can accumulate a surplus or deficit of up to 300 hours on their long-term flextime accounts provided that production processes are respected. In another effort to add flexibility to employees' working times, KRONES has introduced the option of a sabbatical.

Employees can convert the following into credits on their long-term flextime accounts:

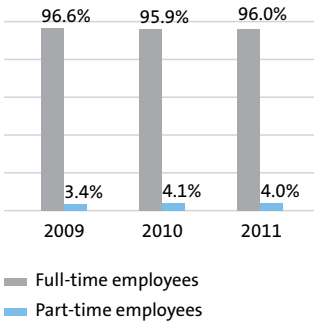
- Current month's pay
- Overtime pay for the current month (base pay and taxable overtime premiums)
- One-time payments such as vacation and Christmas bonuses
- Special payments such as KRONES profit sharing and performance bonuses

They can then use the credit for the following:

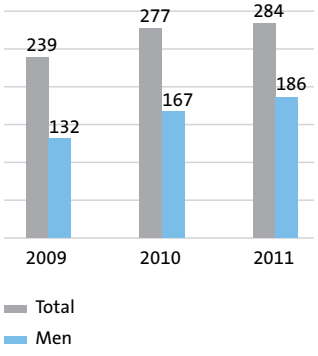
- To retire early without penalty
- To care for a dependent family member at home in accordance with the Home Nursing Care Act (Pflegezeitgesetz)
- To pursue further education within the meaning of our company agreement on continuing education and qualification programmes
- To take a sabbatical

KRONES also supports employees on assignments abroad. We give the employee's partner an opportunity to visit the new location before the transfer so he or she can get to know it and evaluate it. KRONES also helps employees find appropriate schools for their children at their new location and offers the entire family an opportunity to prepare for life in a new country through the intercultural school in Passau, Germany. KRONES assumes all of the associated costs. Upon the family's return, the children can continue to attend an international school. KRONES supports the Regensburg International School (RIS) for this reason.

Full-time and part-time employment at KRONES AG



Employees on parental leave at KRONES AG



KROKI supports working parents

Our company-supported childcare facility, KROKI, in Neutraubling was operating at full capacity in 2011. KROKI is open 10 hours each day, offers flexible drop-off and pick-up times, and is closed no more than 15 days per year – giving employees the flexibility they need to reconcile work and family.

In 2010, the centre had nursery space for 24 infants and toddlers ages 4 months to 3 years (3rd birthday) and 19 preschool spots for children age three through their first day of primary school. Because KROKI receives far more applications than can be accommodated, a special point system is used to ensure that the 43 spots are assigned in a fair, comprehensible manner. Social aspects and the individual family situation play an important role in the point system.

Twelve teachers and caregivers provide educationally guided care. Each day, the children receive a varied, balanced, and child-friendly lunch as well as an afternoon snack that consists of whole grain products, fresh fruits and vegetables, and healthy beverage options such as mineral water, natural juices, and unsweetened teas.

The education and care provided at KROKI is based on the principles of the Bavarian Nursery Education Plan, with special emphasis on developing creativity and experiencing nature. As an added benefit, parents receive regular updates from KROKI staff about their children's development.

KRONES provides the building for the childcare centre and assumed all of the costs of the conversion and initial furnishings and fixtures. KRONES also covers KROKI's operating cost shortfall.

In my work as a member of the Works Council, I come into contact with different people in different positions and departments each day. It feels good to see that KRONES is looking after its employees and taking social responsibility seriously.

Beate Eva-Maria Pöpperl
Works Council, Neutraubling plant

KROKI is very popular and has more applicants than spaces available. A special point system helps to ensure that all 43 spots are assigned fairly.

One of the in-house medical service's key responsibilities is to ensure that our employees all get a fair share of the measures aimed at promoting good health. This, too, is part of sustainability and employee focus at KRONES.

Emanuel Traumann
In-house medical service

Every day, I notice how the employees here don't just see each other as co-workers. They really consider themselves a team, all pulling together and helping each other.

Anna Mattl
Cook

As a social counsellor, I appreciate that the company gives me considerable leeway in my work. That enables me to work with a variety of topics in the interest of our employees. In this respect, KRONES is truly adding value for its employees.

Wolfgang Bernkopf
Counselling service

At the reception desk, I meet people from around the world on a daily basis. This variety is fun to experience and always interesting.

Esther Renner
Plant security

Society

Open dialogue with all stakeholders

To get a sense of the various groups' interests, we regularly seek contact with all stakeholders – in Neutraubling, in our region, and around the globe. Our stakeholders include employees, shareholders, customers, suppliers, government agencies, politicians, trade associations, non-governmental organisations (NGOs), scientists and academics, and the general public. We are committed to a proactive, frank and open information policy. We analyse and assess opportunities and risks relating to CSR topics in ongoing dialogue with our stakeholders. That helps us to identify potential weak points and new challenges early. And with that, we are minimising risks for the company, strengthening our stakeholders' trust in us, and safeguarding the company's reputation.

Policymakers	Customers	Scientists and academics
The general public	KRONES	NGOs
Suppliers	Employees	Cultural institutions

In direct contact with our various stakeholder groups, KRONES analyses the opportunities and risks associated with the different areas of CSR.

Direct contact is very important here. For this reason, we organise a variety of events worldwide each year. The events range from regular tours for employees and their families to round-table discussions with stakeholder groups and participation in international initiatives.

In July 2011, we held a »Training Day« at our Neutraubling, Nittenau, and Rosenheim plants. Some 1,000 participants got a look at the career options and training facilities we offer and were able to flesh this out with details in one-on-one conversations with instructors and current trainees. We also offer Saturday company tours to our staff and their families on a bimonthly basis so that our employees can show their families their workplace.

An example of our active information policy is the KRONES newsletter, which is published monthly. It shares news and technology trends with customers and employees. Readers are also invited to submit topic suggestions to the editor, thus encouraging an ongoing exchange of information.

To keep employees worldwide abreast of developments within the KRONES Group, we published four issues of the »Inside KRONES« employee magazine in 2011 in German, English, and Italian. In addition, the new intranet »KRONES inside« gives all KRONES employees a modern communication platform for exchanging and finding information.

KRONES conducts intensive investor relations work

Transparent, prompt, and honest communications with all of our shareholders is a major aim of our investor relations activities. As a member of the MDAX share index, we are followed by international investors and analysts, who have high expectations of our financial communications. We are happy to meet these expectations – including in person-to-person dialogue. Sustainability topics are gaining importance in all of these forums. We conducted more than a dozen road shows last year, visiting investors in international financial centres such as London, New York, Stockholm, Zurich, and Frankfurt. These shows were attended by Executive Board members or the head of investor relations – or both – who fielded questions from the market professionals. KRONES also participated in numerous investor conferences in Germany and abroad in 2011.

Capital Market Day, which we hosted in Neutraubling, Germany, for the first time on 27 April 2011, was very well received. More than 40 analysts and investors attended. Executive Board Chairman Volker Kronseder and Deputy Chairman Hans-Jürgen Thaus explained business results released the same day and also presented the company's new strategy programme »Value« for the first time. In a tour of the production halls, participants had an opportunity to see for themselves that »Value« is more than words on paper and is, in fact, already being brought to life within the company.

Sustainability and commercial success are not mutually exclusive. KRONES has been proving this point for decades.

Sylvia Bosch
Finance and Information Management

KRONES' high environmental and social standards recognised

oekom research, a highly regarded agency for sustainable, socially responsible investing, awarded KRONES »prime« status once again in 2011. Of the 3,100 companies the agency rates in 45 industries worldwide, only every sixth is given the »prime« designation. This positive assessment of our environmental and social standards through oekom research expands our pool of potential investors considerably. Worldwide, some €11,000 billion are being invested exclusively in shares of companies that meet the very strict criteria of rating agencies specialising in socially responsible investment. The reason for this is that analyst studies have shown that many particularly socially responsible companies generate above-average profits – in business and on the stock markets.

The positive ranking by oekom research has expanded KRONES' pool of potential investors considerably.

Society

Involvement in charitable causes and culture

The principles of sustainability also apply to our civic responsibilities. Beyond our business obligations, we are also committed to doing our part with respect to society, culture, the sciences, and academics. In other words, we are committed to being good corporate citizens. We focus our efforts on those areas where we feel we can make the greatest impact, primarily through projects in our region. We provide charitable donations and sponsoring as well as knowledge and manpower. For KRONES, such engagement is part and parcel of corporate social responsibility.

Regional

KRONES has been a partner and supporter of the Regensburg International School (RIS) since 2010. RIS is open to children from the local community and around the world. It provides families in the region an alternative to the local schools. RIS opened in 2009 and offers schooling in English to children of international and local families in Regensburg and Eastern Bavaria.

The school is committed to providing a high-quality, challenging, international education. Its aim is to develop in each student the ability to think critically and creatively and to help all of its students grow into reflective, independent life-long learners who are socially responsible, concerned for the environment, and able to face the complex challenges of the modern world.

KRONES also works closely with KJF-Werkstätten, the Catholic youth welfare organisation of the Regensburg diocese. KJF-Werkstätten provides work, education, and care to more than 1,000 people with disabilities. KRONES buys a variety of small parts from the workshop such as spacer tubes, plug connectors, washers, and bolts as well as a special conveyor belt. KRONES also conducts some 20 training courses and seminars each year at the Hermannsberg educational facility. Here, eleven people with mental disabilities are employed in accordance with their capabilities. In this way, KRONES is not only helping to give these individuals opportunities. We are also bringing the concept of inclusion to life by bringing together persons with and without disabilities. Inclusion means that all people, with their varied abilities, participate in society.

KRONES supports many social and cultural initiatives, especially in the Regensburg area.

KRONES AG also regards support for universities as an important contribution to society. As a patron of the Hochschulstiftung Regensburg foundation, the company supports various events and promotes cultural exchange among students at the local University of Applied Sciences.

Around the world

Besides the »usual« annual donations to charitable organisations, KRONES made a €25,000 donation to help victims of the earthquake and tsunami in Japan in 2011. In a quick and uncomplicated effort, KRONES Japan presented the cheque to the Japanese Red Cross in April 2011.

KRONES supports projects all over the world that give people in developing countries access to clean drinking water.

KRONES has decided to bundle its international charitable giving and sponsoring efforts into providing substantial long-term support to the Water for the World foundation. In its role as a corporate sponsor, KRONES supports projects all over the world that give people in developing countries access to clean drinking water. Water they need for drinking, cooking, and washing and for irrigating their fields. Our guiding principles here are sustainability and helping people help themselves. We concentrate our funding on rural projects and ensure that they actually benefit families, women, and children. We also invest in education and training, so that people can take charge of their own water supplies.

KRONES supports clinic in Nepal

Through Water for the World, KRONES has been supporting the expansion of Dhulikhel Hospital in Nepal, 30 kilometres northeast of the nation's capital Kathmandu, since 2009. The aim of KRONES' long-term involvement is to ensure that Nepal's largely poor population has access to affordable, high-quality medical care. People with little or no income are treated free of charge at Dhulikhel Hospital.

KRONES has been supporting Dhulikhel Hospital in Nepal since 2009. Dentists from Regensburg are helping the company set up a dental clinic in the impoverished nation.

Despite the exceptionally high quality of care, the public clinic is still funded entirely through donations. Because Dhulikhel Hospital is a non-profit and operates on the principles of social equity, KRONES has decided to support this project on a long-term basis in collaboration with other companies and physicians in the Regensburg region as part of its CSR strategy.

»Dental clinic that comes very close to European standards«

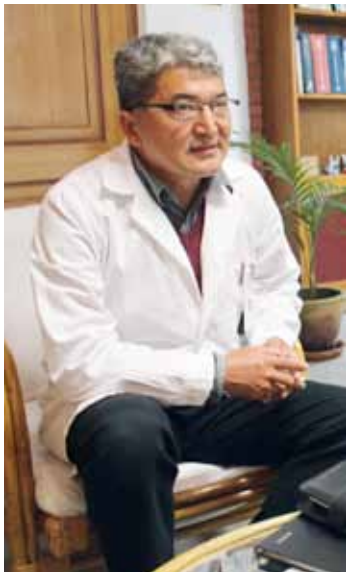
Interview with Prof. Dr. Ram Shrestha, director of Dhulikhel Hospital in Nepal

In fall 2010, the cornerstone was laid for the KRONES-funded dental clinic at your hospital. But there were construction delays. What happened?

We wanted to finish the clinic in 2011. But the monsoons once again reminded us of our limitations. We had to wait for the heavy rains to subside and then we had to wait for the ground to dry out before we could complete the foundation. But now things are moving along that much more quickly.

KRONES and a number of Regensburg dentists are supporting this effort. How is the collaboration going?

I must say, outstandingly well. For one year, we exchanged construction plans online and discussed hardware and software needs and other equipment needs in minute detail. The collaboration was an enormous help to us. The regular consultations with experts saved us a great deal of time and money.



Are you being supported locally as well?

Just recently, the dentists came in person to see how construction was coming along. They really enjoyed seeing first hand how the project that they had supported remotely for so long was taking shape. They were also impressed with the dedication of my colleagues here in Nepal.

And what are you most proud of?

That – thanks to the donations from Germany, which encompass technical equipment as well as training and knowledge transfer to the dentists here in Dhulikhel – we will soon be able to provide dental care to the people here that comes very close to the standard of care provided in Europe. And that in the world's third-poorest country!

KRONES employees are helping worldwide

A company also lives from the social commitment of its people. Sabine Fichtl, a member of our Asia-Pacific sales team, is helping schools in the **northeast Indian state of Assam**. She was inspired while travelling in India, where a priest told her about his missionary work in the northeastern part of the country. Ms. Fichtl was able to assess the situation first-hand and is now committed to giving the region's impoverished children a chance at a better future by building schools there. She has won the support of the charitable organisation Helfende Hände Zukunft für Kinder und Jugendliche e.V. for this effort.

Sabine Fichtl is helping build schools in northeast India

Christine Clarissa Gouw of KRONES Indonesia is helping children in a slum in **Indonesia's capital city, Jakarta**. The slum is home to many »trash pickers« and their families. Christine Clarissa Gouw began by visiting the children each Saturday to sing and paint with them and to tell them stories. When she noted that most of the children were not attending school, she convinced their parents to let her send them. The mother of two registered the children at school and bought the clothing, school bags, shoes, and books they needed. She even built a small hut and equipped it with a chalkboard, electrical light, chairs, books, and toys for the 52 children and youth. »This is our home«, she says. Now, the KRONES project coordinator can be found there every Saturday, tutoring the children.

Christine Clarissa Gouw tutors children in the Indonesian capital Jakarta in a hut she built herself.

In November 2011, Jürgen Kunisch of KRONES' electrical systems automation department and four other volunteers for Uganda Kinderhilfe Regensburg e.V. flew to Uganda, the East African country on Lake Victoria. The organisation supports schools and a project for street children near the nation's **capital Kampala**. The electrical technician used his vacation time to help the children. The team laid a water line on the school grounds and repaired mosquito nets on the windows of the girls' dormitory hut. The organisation also pays for daily lunches for 1,200 children there. »That is reason enough for the parents to send their children to school«, reports Kunisch.

Jürgen Kunisch spent his vacation helping street children in Uganda.

Goals and actions

Company – Goals	Actions	Target date	Status
Sensitise and motivate our employees with respect to sustainability and responsible action	Regular articles on CSR in the employee magazine »Inside KRONES«	**Ongoing**	Ongoing
	Annual sustainability report	**Ongoing**	Ongoing
	Create and regularly update a »sustainability« section of our intranet	**Ongoing**	The new intranet »KRONES inside« has been launched; action implemented successfully
	CSR posters in the production halls of our plants	**2011**	In progress

Economic – Goals	Actions	Target date	Status
Evolve enviro	Transfer aspects of enviro onto LCS services	**Ongoing**	Retrofitting packages with high energy and media efficiency are available
	Hold KRONES Academy seminars on energy and media efficiency	**Ongoing**	Ongoing
	Expand machine programme to include 30 upgrades	**2010**	22 machines were assessed
	Expand machine programme to include 8 upgrades	**2012**	In progress
Increase order quality	Make quotation system faster and more transparent	**Ongoing**	Ongoing
	Perform detailed risk analysis in advance	**Ongoing**	Ongoing
Optimise working capital	Improve receivables management	**Ongoing**	Receivables and inventories increased in 2011 due to the rise in business volume; these figures are expected to improve in 2012
	Reduce inventories	**Ongoing**	Improvements targeted for 2012
Increase profitability, bring pre-tax return on sales up to around 7 percent	Implement »Value« strategy programme	**2015**	Due to the high level of provisions, the pre-tax return on sales did not improve in 2011; however, ROS is expected to increase in 2012

Environmental – Goals	Actions	Target date	Status
Establish an energy management system	■ Define additional measuring points (electrical power + heat) ■ Discuss previous production figures with assembly and production teams ■ Install the additional measuring points ■ Make internal decision on power demand and peaks ■ Define performance indicators ■ Define targets for 2012	**2011**	Energy management system was launched and was certified by TÜV SÜD in May 2012
Conserve energy	Reduce base load demand	**Ongoing**	■ Vacuuming only as needed ■ Reducing temperatures in baths and turning off compressed air and production hall lighting during shutdowns ■ Operating vacuum systems only as needed ■ Examining paint shops to determine lowest possible drying temperatures ■ Coordinating commissioning activities to optimise peak loads
	Optimise processes	**Ongoing**	Integrating into regular employee training and guidance
	Train and inform employees, giving concrete guidelines for conserving energy and using energy efficiently	**Ongoing**	Consumption per €1 million in sales is flat
Conserve resources	■ Reduce water consumption	**Ongoing**	■ Increased sorting and separation of materials at on-site collection station ■ Project »Shop Floor« – assembly goes paperless ■ Regular monitoring of coolants
	■ Recycle Further analyse recycling options, Reduce waste generated in assembly	**Ongoing**	
Reduce emissions	■ Reduce coolant emissions	**2009–2012**	■ Coolant error message analysis in SAP workflow Project was shelved due to changed situation In 2010/2011; revisited in 2012
Systematically collect and calculate environmental performance indicators in a database module	■ Introduce database module	**2010/2011/2012**	

Labour practices – Goals	Actions	Target date	Status
Enhance employee qualifications	■ Introduce KRONES competence management company-wide	**2011**	Nearly 4,000 employee reviews were conducted in 2011; in 2012, reviews to be conducted almost across the board
	■ Expand training and continuing education offerings	**Ongoing**	Currently, courses are available on around 450 topics; the SAP training portal is being revamped in 2012 to be more user friendly
	■ Ongoing management training	**Ongoing**	760 managers have attended the management training seminar to date
Secure access to the next generation of specialists	■ Proprietary professional training programmes ■ Innovative professional training options	**Ongoing**	Ongoing
Promote and recruit specialists and skilled workers	■ Collaborate with colleges and universities	**Ongoing**	Ongoing
	■ Offer programmes for interns and thesis-writing (previously: programmes for university degree candidates)	**Ongoing**	Ongoing
Occupational health management	■ Coordinate all actions (in-house medical service, company health insurance fund, counselling service, and human resources)	**Ongoing**	Ongoing
Work-life balance	■ Support employees and their families on assignments abroad	**Ongoing**	In progress
	■ Reintegrate children into international schools in Germany when families return from assignments abroad	**Ongoing**	KRONES supports the Regensburg International School in Regensburg
	■ Support management employees' use of sabbatical	**Ongoing**	Ongoing
Reduce accident rates (per 1,000 employees)	■ Systematic accident analysis ■ Step up hazard assessment ■ Derive remedial actions from incidents ■ Involve employees ■ Ensure compliance with existing rules ■ Projects like »One Man, One Day, One Bay« and »Learning to See« ■ TPM pillar 8	**Ongoing**	Ongoing
Reduce lost working days in general	■ Train managers and supervisors in how to deal with illness-related absences	**Ongoing**	In progress

Society – Goals	Actions	Target date	Status
Intensify stakeholder dialogue	Conduct surveys	**2011**	In progress
	Establish and continue social media activities	**Ongoing**	Ongoing
Maintain regular dialogue with representatives of the academic, political, and business communities	Events	**Ongoing**	Ongoing
Provide information for employees' family members	Regular tours of the production facilities	**Ongoing**	Ongoing
Spark and foster interest in technical fields among young women and girls	»Girls' Day« »Research Camp for Girls« »Training Day«	**Ongoing**	Ongoing
Support schools and universities at the regional level	RIS Regensburg International School	**2013**	Ongoing
Conduct university marketing at the national level	Participate in university job fairs, field trips, and lectures	**Ongoing**	Ongoing
Dhulikhel University Clinic in Nepal	Build and expand dental clinic	**2011**	Completed

GRI index

The Global Reporting Initiative (GRI) develops and disseminates guidelines for reporting on the economic, environmental, and societal dimensions of organisations' activities, products, and services. The GRI works closely with businesses, non-governmental organisations, government institutions, and other groups. The current GRI guidelines (»G3«) were published in October 2006. Use of the guidelines is voluntary. The GRI guidelines have become established as the standard for sustainability reporting worldwide.

GRI code	Reporting element	Page
1.	**Strategy and analysis**	
1.1	Statement from the most senior decision-maker	2–6
1.2	Description of key impacts, risks, and opportunities	2–10, 24–25, 32, 36–39, 46
2.	**Organisational profile**	
2.1	Name of the organisation	C1, C4, C6
2.2	Primary brands, products, and services	12, 13, 26, 27
2.3	Operational structure, including main divisions	26, 28
2.4	Location of headquarters	C4, C6, www
2.5	Countries with major operations	26, 27
2.6	Nature of ownership and legal form	28
2.7	Markets served	26, 27
2.8	Scale of the reporting organisation	26, 27
2.9	Significant changes during the reporting period regarding structure or ownership	NA
2.10	Awards received in the reporting period	32, 47, 88
3.	**Report parameters**	
3.1	Reporting period	C1, 1
3.2	Date of most recent previous report	1
3.3	Reporting cycle	1
3.4	Contact point for questions regarding the report	C4, C6
3.5	Processes for defining report content	C5, 7–9, 31
3.6	Boundary of the report	1
3.7	Specific limitations on report's scope	1, 56, 68
3.8	Basis for reporting on joint ventures	NA
3.9	Data measurement techniques and bases of calculations	AR, 56–60, 68
3.10	Restatements of and changes to information provided in earlier reports	NA
3.11	Changes from previous reporting period in the scope, boundary, or measurement methods applied	NA
3.12	GRI content index	98, 99
3.13	External assurance	C2
4.	**Governance, commitments, and engagement**	
4.1	Governance structure, incl. responsibility for sustainability performance	28, 31, AR 114–115
4.2	Independence of Supervisory Board Chair	28, AR 112, 113, 115
4.3	Independent members of the highest governance body	NA
4.4	Mechanisms for shareholders and employees to provide recommendations to highest governance bodies	28, 31, 34–35, 88
4.5	Linkage between compensation for senior managers/executives and sustainability performance	28, AR 119, 120
4.6	Processes in place to avoid conflicts of interest	29–13, MS, CoCo
4.7	Expertise of members of the highest governance bodies with respect to sustainability	2–10, 31
4.8	Mission statement, values, codes of conduct	29–31
4.9	Procedures of the highest governance bodies for overseeing environmental, economic, and social risks and opportunities	31, 46
4.10	Processes for evaluating management's own sustainability performance	AR 119–120
4.11	Precautionary approach	46, 47
4.12	Subscription to or endorsement of external initiatives	89–93
4.13	Memberships	32, 90
4.14	List of stakeholder groups engaged	87
4.15	Basis for identification of stakeholders	31, 87–90
4.16	Stakeholder dialogue (type/frequency)	62–66, 68–85, 87–90
4.17	Response to key concerns raised by stakeholders	87, 88, www
5.	**Economic performance indicators**	
	Management approach	2–4, 32, AR 14–17
EC1	Direct economic value generated and distributed	42
EC2	Financial implications of climate change	46
EC3	Coverage of defined benefit plan obligations	42, 83
EC4	Financial assistance from government	43
EC5	Ratios of standard entry level wages to local minimum wage	73–74
EC6	Use of locally-based suppliers	30, 46
EC7	Local hiring	62–78
EC8	Infrastructure investments and services provided primarily for public benefit	85, 89–91
EC9	Significant indirect economic impacts	89–91
6.	**Environmental performance indicators**	
	Management approach	MS, 24–25, 56–61
EN1	Materials used by weight or volume	59, 60
EN2	Percentage of materials used that are recycled input materials	59
EN3	Direct energy consumption by primary source	57, 58
EN4	Indirect energy consumption by primary source	57, 58
EN5	Energy saved due to conservation and efficiency improvements	ND
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and resulting reductions in energy requirements	24–25, 36–39, 48–55, 95
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	24–25, 95
EN8	Total water withdrawal by source	60
EN9	Water sources significantly affected by withdrawal of water	NA
EN10	Percentage and total volume of water recycled and reused	ND
EN11	Land in or adjacent to protected area(s)	NA
EN12	Impacts of activities on biodiversity in protected areas	NA
EN13	Habitats protected or restored	ND
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	NA

GRI code	Reporting element	Page
EN15	Endangered species	NA
EN16	Total direct and indirect greenhouse gas emissions by weight	58
EN17	Other greenhouse gas emissions	ND
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	24–25, 95
EN19	Emissions of ozone-depleting substances by weight	NA
EN20	NO, SO, and other significant air emissions by type and weight	ND
EN21	Total water discharge by quality and destination	60
EN22	Total weight of waste by type and disposal method	59
EN23	Total number and volume of spills	ND
EN24	Hazardous waste under the Basel Convention	ND
EN25	Impact of effluent discharge and runoff on biodiversity	NA
EN26	Initiatives to mitigate environmental impacts of products and services	36–39, 48–55
EN27	Percentage of products and their packaging that are reclaimed	NA
EN28	Fines and sanctions for non-compliance with environmental laws and regulations	ND
EN29	Significant environmental impacts of transporting products and other goods and materials and employees	46, 60
EN30	Total environmental protection expenditures	ND
7.	**Product responsibility**	
	Management approach	2–6, MS
PR1	Life cycle stages in which health and safety impacts of products and services are assessed	48–55
PR2	Incidents of non-compliance with health and safety standards	ND
PR3	Principles and procedures for product labelling	51, 52
PR4	Incidents of non-compliance with product labelling and information standards	NA
PR5	Customer satisfaction, including results of surveys measuring customer satisfaction	41, 45
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications	MS, CoCo
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	ND
PR8	Complaints regarding breaches of customer privacy and losses of customer data	ND
PR9	Fines for non-compliance with laws and regulations concerning the provision and use of products and services	ND
8.	**Labour practices and decent work**	
	Management approach	2–9, 66, 68–85, 96, MS
LA1	Total workforce by employment type, employment contract, and region	68, 69, 73, 83
LA2	Employee turnover by age group, gender, and region	74
LA3	Benefits provided to full-time employees	70–85
LA4	Percentage of employees covered by collective bargaining agreements	73
LA5	Minimum notice periods regarding significant operational changes	ND
LA6	Percentage of workforce represented in formal joint management-worker health and safety committees	ND
LA7	Rates of injuries, occupational diseases, lost days and absenteeism, and work-related fatalities	80, 82
LA8	Actions relating to serious diseases	81–83
LA9	Health and safety topics covered in formal agreements with trade unions	ND
LA10	Training and education: Hours per employee by employee category	70, 71
LA11	Programmes for skills management and lifelong learning	34–35, 70–72, 74
LA12	Percentage of employees receiving regular performance and career development reviews	71
LA13	Composition of governance bodies and breakdown of workforce by gender, age group, culture	68, 69, 72
LA14	Pay ratios by gender and employee category	72, 73
9.	**Human rights**	
	Management approach	MS, SC, CoCo
HR1	Investment agreements that include human rights clauses or that have undergone human rights screening	30, SC
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights	30
HR3	Employee training on human rights	NA
HR4	Total number of incidents of discrimination and actions taken	ND
HR5	Freedom of association and collective bargaining	73
HR6	Principles and measures taken to prevent child labour	SC, CoCo
HR7	Principles and measures taken to prevent forced or compulsory labour	MS, SC, CoCo
HR8	Training of security personnel	ND
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	NA
10.	**Society**	
	Management approach	2–10, MS, SC, CoCo, 97
SO1	Programmes and practices to manage the impacts of operations on communities	87
SO2	Percentage and total number of business units analysed for risks related to corruption	ND
SO3	Percentage of employees trained in the organisation's anti-corruption policies and procedures	ND
SO4	Actions taken in response to incidents of corruption	ND
SO5	Public policy positions and participation in public policy development and lobbying	87
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions	ND
SO7	Legal actions for anti-competitive behaviour	ND
SO8	Fines and sanctions for non-compliance with laws and regulations	ND

Abbreviations:
AR: 2011 Annual Report; C: cover; CoCo: Code of Conduct; MS: mission statement; SC: suppliers' code; NA: not applicable – this indicator does not apply to KRONES; ND: no data provided – the data for this indicator is not complete and we have opted not to present incomplete, insufficiently meaningful data.

Cash flow	All inflows and outflows of cash and cash equivalents during a period.
Compliance	The sum total of all reasonable measures that are designed to ensure that a company, its organisational members, and its employees obey all statutory commandments and prohibitions. Moreover, the aim is to ensure that the company's dealings also conform to all social guidelines and value concepts, and with moral and ethical imperatives.
Corporate Governance	Responsible corporate management and supervision that is oriented toward long-term value creation.
Corporate social responsibility	Concept that serves companies as a basis for integrating social and civic concerns into their corporate operations and their relationships with their stakeholders on a voluntary basis.
Equity	Funds made available to the company by the owners by way of contribution and/or investment plus retained earnings.
enviro	Programme for sustainable products from KRONES that are proven to save resources. The programme has been certified by TÜV SÜD.
German Act for the Protection against Harmful Environmental, Effects Caused by Air Pollution, Noise, Vibration, and Similar Factors	In the absence of a single, uniform Environmental Code for Germany, this act is the most important environmental law with respect to practical application.
GRI	The Global Reporting Initiative is an ongoing international dialogue that engages a variety of stakeholder groups. GRI reporting relies on transparency and aims to provide standardised, comparable information.
PET	Polyethylene terephthalate, a thermoplastic material from the polyester family, used, for example, for producing beverage bottles.
Stakeholders	All the interested groupings involved in an entrepreneurial process or affected by an entrepreneurial action.
Sustainability	All concepts that attempt to shape economic, political, and social developments so as to ensure that they meet the needs of the present-day generation without endangering the options for future generations to satisfy their own needs and choose their own lifestyles.
TÜV SÜD	One of the world's leading technical service organisations, offering testing, auditing and inspection, consulting, and certification.
Value chain	The value of a product or service consists not only of the product or service itself. In some cases, it may consist of many various components that are produced along the stages of value creation. Several stages of value creation constitute a value chain.
Value creation calculation	The value created is determined by subtracting from the company's performance (sales revenues and other income) the advance payments necessary for bought-in goods and materials, depreciation and amortisation, and other expenditures. The origination of the value creation is set against its use.

Living up to our values and creating value – together

Our customers around the world are primarily in the food and beverage industry. We provide them with machinery, lines, and systems, including all related services, that are the best in every respect.

To consolidate our position, we will continue to grow profitably and further expand our technology leadership – with innovation, a passion for change, and consistent performance. We listen to our customers and develop our products to meet their needs. Our lines and complete solutions provide the highest level of efficiency at competitive prices. Our global network enables us to provide fast, cost-effective, high-quality service – anytime, anywhere around the world.
All strategic decisions are aimed at ensuring the company's sustainable development. Even when optimising profits and cash flow in the short term, we still keep sustainability sharply in focus. This makes KRONES a dependable partner for our customers, employees, shareholders, and suppliers. Our financial strength gives us independence. We use resources wisely in order to safeguard this freedom for the long term.

Our sites around the world form a global value chain that serves as the very foundation of our success. Each of our core modules is built at only one site worldwide, with exceptional cost-effectiveness. These sites concentrate our expertise and experience in the relevant technology. To secure this advantage for the long term, KRONES offers attractive working conditions, promising training opportunities, and plenty of room for individual development at all of our sites worldwide. Transparent hierarchies, appreciative leadership, and clear goals inform our corporate culture. To stay agile and competitive going forward, we keep our structures lean and efficient.

We are a multinational corporation where a diversity of cultures, languages, and ways of life come together on equal footing. We are fair and forthright in our interactions. Honesty and transparency inform all of our actions. We are interested in the thoughts and opinions of our employees and partners and are willing to learn from others.

KRONES – We do more.

Publication credits

Published by	KRONES AG Böhmerwaldstrasse 5 93073 Neutraubling Germany
Responsibility	Kristina Ebenbeck CSR Officer
Editing	Peter Mörtl
Design	Büro Benseler
Text	KRONES AG, InvestorPress GmbH
Photos	KRONES AG, Juliane Zitzlsperger
Printing	Mediahaus Biering GmbH
Litho	Mediahaus Biering GmbH
Paper	PhoeniXmotion, Gmund Colors
Circulation	500 German 600 English

This English language report is a translation of the original German KRONES AG Nachhaltigkeitsbericht 2011.

In case of discrepancies the German text shall prevail.

This Sustainability Report 2011 is also available in German. We would be happy to mail you a copy on request. You can also find it in the Company/Sustainability section at krones.com.

The production of and the paper used for the KRONES Group's 2011 CSR Report have been certified in accordance with the criteria of the Forest Stewardship Council (FSC). The FSC prescribes strict standards for forest management, thus helping to prevent uncontrolled deforestation, human rights violations, and environmental damage. Because products bearing the FSC label are handled by various enterprises along the trading and processing chain, the companies that process the paper, such as printers, are also certified under FSC rules.

In addition, the CO_2 emissions resulting from the production of this report – including both the production of the paper and ink and the printing process itself – were measured and then offset through the purchase and retirement of high quality emission certificates.

MIX
Paper from responsible sources
FSC® C010887
FSC
www.fsc.org

Print CO2 compensated
Id-Nr. 1228031E
www.tvdm-online.de

KRONES AG

Kristina Ebenbeck
CSR Officer
Böhmerwaldstrasse 5
93073 Neutraubling
Germany

Phone + 49 9401 701211
Fax + 49 9401 703786
E-mail csr@krones.com
Internet www.krones.com

KRONES